UNIVERSITY OF PENNSYLVANIA

THE ORGANIZATION OF CHAIN-GROCERY COMPANIES IN RELATION TO SCIENTIFIC MERCHANDISE

JOHN R. WHITAKER

A THESIS

IN ECONOMICS

PRESENTED TO THE FACULTY OF THE GRADUATE SCHOOL IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY

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PREFACE

Those engaged in retail trade and those who have an interest in retailing from a theoretical or practical viewpoint are aware of the growing importance of chain stores. Within the last five years there has been considerable material published and much discussion for and against the existence of chains has been aroused. They have even become the subject of debate in state legislatures and in several cases attempts have been made to curtail their development. This rapidly developing form of retailing has not only interested the independent retailers and wholesalers, but also has attracted the manufacturers. Problems of price, quantity discounts, the rate of growth, and competitive methods are some of the issues that have been the basis of chain-store discussions by the above-named groups. The manifold opinions on these topics show the timeliness and importance of chain-store studies. The recognition of the fact that retailers, wholesalers, and manufacturers have each attempted to develop their own point of view relative to these problems, makes much of the literature and also many of the articles dealing with the chain store biased in nature.

This research, in its scope and content, has been undertaken in order that a better knowledge and understanding might exist regarding the functional organization aspects of chain-store management. In order to study the subject intensively, the research has been confined to the grocery field. The features of organization, which are defined and discussed herein, should be valuable in solving similar problems in other chain-store trades. Many of the features of the grocery trade should be applicable in other trades and channels. Unit-store retailers should also be benefited by having the organization data and findings of this study. Difficulties, similar to those found in the organization features of chain-grocery-store businesses, may be applicable in other trades and retail channels. Many unit-store retailers should profit by having the organization data and findings of this research for comparative purposes with a view toward possible adoption. Just as the studies of proper organization and efficiency plans began in the metal trades of industry and later

spread to other industrial and manufacturing fields, so it is not impossible to believe that the organization plans of the chain-grocery-store field could be adopted by other types of retail institutions. This research has been conducted, therefore, with the hope that it will be a definite contribution to the meagre or negligible literature dealing with the subject of retail organization.

Just as industry, through the application of more efficient machinery and better organization, has developed by progressive steps from its earliest beginnings to the present time and thus has resulted in a better product at a lower price,—so it is to be expected that the appropriation of organization principles and fundamentals to the chain-store field will show results in terms either of a more efficient system and a decreased cost of retailing or a retail organization detrimental to retailing in general. The more efficient the chain-store business becomes, the greater will be the saving that can ultimately be passed on to the consumer; therefore, a more efficient distributive system can be established. The results will mean immediate increased profits and, later, consumer benefits not enjoyed at present. These advantages, which may be made possible by more efficient operation, are the means by which the consumer will benefit or, in other terms, the manner whereby the chain-store organization will be able to further its own progress and its advantages, from the consumer's point of view, as a distributive agency.

The literature dealing with the analysis of management which includes the subject of organization was first developed by the industrialist. Fortunately this management material can be adapted to any line of business. Therefore, since there is practically no literature of a similar nature in the retail field, it is necessary to become familiar with the writings of those engaged in the management of industrial concerns. Only on this basis can correct interpretative judgments be made regarding the efficiency of the functional organization of the chain-grocery company.

In a study of this type it is necessary to be familiar with the economic principles which have a relation to the subject of organization. These laws and principles may be given in summary form. They will enable us to analyze the advantages to be gained in setting forth the proper functional aspects of the chain-grocery-

store business. Briefly, these principles, stated to conform to the nature of this research, may be listed as follows:

1. It should be possible to view in relief the various divisions of work that must be performed, and thus make for a better division of labor.
2. Better organized business is one productive factor which makes it possible to secure the advantages of the law of increasing returns.
3. The superior ability to organize a business enables one to secure an advantage over the inefficient establishments. In the past the competition has been between chains and independent stores. In the future the competition will take the form of chain versus chain; and chain versus cooperative, wholesale, and retail group-buying establishments.
4. A better organized business, all other things remaining equal, will be able to check and even forestall the operation of the law of diminishing productivity.

The first chapter of this treatise presents the latest available material dealing with organization data in both industry and distribution. At this point it is desirable to define the term "organization" and to set forth the divisional aspects of business. The principles of organization in use by business men will be employed in the research. Part of the conclusions of this study must be based upon the present management technique related to the organization or structure of the chain-store business.

In chapter two it will first be necessary to define what is meant by the term "chain store" as contrasted with other types of retail institutions. This cannot be stated in any dogmatic or arbitrary way. The best that can be done is to give a general definition and then indicate the similarity or general characteristics of chain-store merchandising.

The efficient operation of a business is based partly upon the extent to which the chief executives have divided the functional aspects of the business so that there is fixed responsibility and maximum specialization. This condition should exist regardless of the size of the business. However, it has been found that the need for proper functionalization, specialization, and co-ordination becomes increasingly more important as businesses grow in size. The facts contained in this chapter are set forth to show the rate of chain-grocery-store growth and, therefore, the need for more efficient organizations.

This presentation is not only interested in showing the development of individual companies, but also in indicating the number of new firms entering the chain-store field. It is the latter development, as much as the former, which has caused the need for a study of organization. By far the greater number of historical facts, regarding the development of the chain-grocery business, have been gathered by the writer from the individual concerns. This chapter represents, therefore, the first comprehensive study of chain-store growth in this trade.

Chapter three consists of a presentation of composite organization charts with explanations. Each chart represents the main, functional aspects of a homogeneous group of companies. The material upon which the composite charts are based was gathered from the individual chain-grocery companies. Organization variations due to geographic location, size, policies of operation, and other differences are discussed with each compositechart.

Although the facts found in chapter one are essential in the sense that they become the basis for final interpretations, the principal data upon which this research depends is presented in this chapter. The author accumulated this information through diligent investigation over a period of eighteen months. In brief, the procedure used in gathering and summarizing the facts is as follows:

1. The facts were gathered chiefly through personal interview with a major executive of each cooperating company.
2. The data were then used to develop an organization chart for each concern.
3. The charts, with explanations, were later returned to their respective company executives for additions, or corrections.
4. Upon their return they were classified according to the size of the companies.
5. Finally, the composite charts were developed by using the common functional organization chart features of the companies in each group.

The concluding chapter deals with conclusion and recommendations. Part of the results of this study are presented in the form of composite charts in the preceding chapter. The importance of the variations in function and specialization will be set forth in

this section. The efficiency of the organization of any individual company will depend upon the form it assumes in contrast to the composite chart and the extent to which the organization principles are carried out. This last chapter summarizes the data contained in chapter three and interprets these facts in the light of the principles enumerated in the first chapter.

In conclusion, the writer wishes to take this means to express his appreciation for the interest shown, and the help given by the many chain-grocery-store executives whom he interviewed. Without their assistance this research study could not have been completed. Many valuable suggestions were made by those engaged in the practical field. In addition to these men, the author is also grateful to Professor Herbert W. Hess for his constant encouragement and valuable suggestions.

I

Present Available Organization Data Divided into Manufacturing and Trade Establishments

Development of Organization Data

Unprecedented expansion of manufacturing, during the Nineteenth Century, cannot solely be explained in terms of invention, saving, natural resources, and the expansion of the market. The rapid acquisition of knowledge and ability was an integral part of the advance. The field of management assumed a new importance. Specialization of management in large-scale plants was necessary. With greater specialization of business by trades and, more particularly, by occupations within trades, there arose the management problem as it never existed before. A great need for a coherent productive process was felt. The executives, who were delegated with the operating responsibilities of the larger businesses, had the unique problem of bringing about maximum co-ordination between the hundreds and even thousands of specialized operations which proceed within an industry.

Specialization had led to more than departmentalization. While we do have the departmental functionaries such as the auditor, purchasing agent, and sales manager, we find still greater subdivisions. Present industrial plants afford plenty of illustrations of this condition. One of the most important developments has been the degree of specialization in the field of management itself. To expect the manager to be efficient is to expect him to specialize. Industrial operations, therefore, expanded to the point where we find the specialized, functional aspect of the business known as management or industrial management. Our present large-scale businesses, and many of the smaller ones, have dealt for years with management as a separate business factor. There have been developed the consulting management companies. Just recently such a management company has taken over the supervision of an eastern chain-grocery business.[1]

[1] Business section of *Public Ledger*, Phila., Pa. Dec. 15, 1928, p. 1.

Such businesses perform services similar to the accounting and advertising firms in their respective fields. The services of the industrial management consultant are often sought by financial organizations when they desire to know the efficiency of an industrial company. Individual companies frequently have a man who is attached to an organization as a consultant for matters dealing with the subject of management.

One writer in the field of management states that the field may be divisible into three main parts: (1) Administration, which is concerned in the determination of corporate policy, (2) management proper, which is concerned in the execution of policy, and, (3) organization, which is the process of combining the work which individuals or groups have to perform.[2] Another writer gives the following meaning to the term management:[3] "It involves all the elements in the control of business activities, and may be said to be the correlation of the details of operation of an enterprise so that it will work as a harmonious whole toward the desired goal." He further states that the field of management is made up of three broad subdivisions:[4] "(1) The establishment of major policies, (2) the planning for and setting up of an organization to carry out these policies, and, (3) the operation of the enterprise through this organization." There appears to be a high degree of similarity in these two definitions. Other writers on the same subject do not vary in their ideas.

It will be noticed that the subject of management includes within its scope the problem of organization. This research will deal with the subject of organization as a part of management, but applied to the chain-grocery-store field. It should be remembered, when analyzed from the management point of view, that the industrial field has preceded the retail merchandising field by many decades. This is certainly also true when comparisons are made of the relative size of industrial and retail establishments.[5]

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[2] Oliver Sheldon, B.A. (oxon.), The Philosophy of Management, Published by Pitman & Sons, Ltd., in 1924, p. 32.

[3] R. Lansburgh—Industrial Management—2nd Edition, p. 00, J. Wiley & Sons, 1929.

[4] *Ibid.*, p. 4.

[5] The recency of large scale operations in the latter field will be developed in Chapter II.

The Meaning of the Term "Organization"

Before proceeding further, it is necessary to define certain terms. Particular explanation must be made in connection with the use of the term "organization". Russell Robb, a lecturer on organization, makes the following statement relative to the "dimensions" of organization:[6]

"In spite of all the wide differences in organizations, we do, to use a mathematical term, know the 'dimensions' of organization.

"We can conceive of no real organization, for instance, without a structure of some kind, without a definite plan. However work is apportioned and by whatever means it is directed and carried out, we may be sure that the method must have definiteness. We may choose the wrong kind of men to do things, we may not plan to bring their work to them so that their time is most efficiently used, we may not use care that special skill is conserved; but if we have some plan that assigns definite duties, we have made a beginning in organization."

Mr. Robb enumerates, at the close of his statements, what he considers to be the essential factors of organization:

"We know pretty definitely the factors that make organization. They are structure, lines of authority, responsibility, division of labor, system, discipline; accounting, records, and statistics; and *esprit de corps*, co-operation, 'team play'; but when we attempt to determine the parts played by these factors, we find that their relative importance changes with purpose, conditions, and material. We begin to realize that there is an art of organizing that requires knowledge of aims, processes, men, and conditions, as well as of the principles of organization."[7]

The term organization, as it shall be used for this research, will include only four of the factors as given in the foregoing paragraph: namely, the structure of the organization, the lines of authority, responsibilities of the main executives, and the divisions of work. It will deal with that part of management or business administration which relates to charting the organization, a necessary element in carrying out the policies of the chain-

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[6] Quoted from L. E. Marshall's book—Business Administration, p. 788.
[7] *Ibid.*, p. 789.

grocery-store business. The efficient operation of any business presupposes the correct policies of the business and the organization plan. The organization is the instrument of management selected by the administration for the purposes which they have determined. Organization must always precede the operation of a business. In developing an organization or in charting the same, due regard must be given to the functions to be performed, the plan of organization, the proper lines of authority, the benefits of the division or specialization of labor, and executive and administrative responsibility.

The term organization is sometimes used to include more than is intended in this research. Dexter S. Kimball explains the term organization as follows:[8] "Organization is that function of management that actually sets up the enterprise, selects the equipment, plans the arrangement of the plant, selects the personnel or departments; and specifies the relations that are to exist between individuals and departments." He also states that a company may be very well departmentalized but poorly organized. The term organization is more inclusive. The study of chain-store organization will be confined to the plan of the enterprise and will not include the other factors that are mentioned by the writer just quoted.

Manufacturing Businesses

A brief presentation of the organization data as developed by manufacturing and trade establishments now becomes necessary. It should be mentioned that manufacturing companies have developed organization data to a far greater extent than wholesale or retail trade.[9] While the latter trades have developed along with the expansion of our industrial progress, it has been more extensive. Manufacturing plants grew larger as the market widened. Thus, there was a greater need for analysis of management problems by the industrialist. Most of the literature in the management field has been written by those engaged in the

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[8] Dexter S. Kimball, A. B., M. E.,—Principles of Industrial Organization—Chapter VII

[9] R. Landsburgh—Industrial Management (2nd Edition)—Chapter III

manufacturing end of the business. Discussion of these writings and meetings, by those interested in the subject, have led to the development of a comparatively standard technique. The approach has been quite scientific. Analysis has been made to the extent of enumerating the elements of management with detailed studies of their subdivisions.

While most of the illustrative material dealing with the subject relates to manufacturing businesses, the elements of organization are applicable to any type of business; but especially to those that assumed large proportions in terms of capital and personnel. The facts which follow, therefore, are based upon industry's management experience and technique. An English writer, Oliver Sheldon, speaks of the American "industrial engineer" as a professional man.[10] However, he mentions that the scientific approach to management problems has not yet attained the rigidity of law or the precision of medicine, but is gradually elaborating the facts into a codified statement of knowledge. It is the summary of this information that we are now interested in listing.

One of the leading writers in the management field broadly classifies the fundamentals of organization in a twofold way,—first, the "Primary Fundamentals" and, second,"Operating Fundamentals".[11] Since our interest is only concerned with the organization aspect of the entire management field, we will simply consider the following classification. The sub-divisions of the primary fundamentals of organization may briefly be stated as follows:[12]

1. There must first be regard for the aim of the enterprise.
2. Definite lines of supervision must be established.
3. Each executive must be given definite duties for which he is held strictly responsible.
4. There must be regard for the personal equation.

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[10] Oliver Sheldon, B. A. (oxon.)—The Philosophy of Management, pp. 47–78.

[11] R. Landsburgh—Industrial Management (2nd Edition)—p. 33.

[12] It should be noted that this classification of primary fundamentals of organization is quite similar to the one stated at the beginning of this chapter by Russell Robb.

These fundamentals will now be explained. Each organization must be molded in accordance with the aims and policies of the company. Unless such aims and major policies are made definite, the foundations upon which the organization is built, including the personnel, will lack effectiveness. The form of the organization or the chart of the organization, and this is of primary interest in this research, should be based upon a due regard of the second factor as listed in the preceding paragraph. Lines of control must be laid down in order to secure maximum personnel efficiency of any enterprise. These lines of control may be looked upon as lines of authority or paths along which orders flow. Historically speaking, there have gradually developed certain organization forms which deal with lines of authority. A knowledge of these forms or types is essential in order to set up an efficient organization.

No one can adequately construct a chart showing definite lines of authority or supervision without knowing the historical development and both the advantages and disadvantages of the organization types. The first type is known by the term "military" or "line". In this type the authority flows directly from the head executive, or boss, to the various sub-executives who are placed in charge of particular phases of the business. From the minor executives the authority flows to the individual workers. The second type of organization is known by the term "functional". This type had its inception at the Midvale Steel plant in Philadelphia, under the direction of Frederick Taylor, who is known as the "father of the management movement". He developed the functional foreman, such as gang-boss, speed-boss, inspector, and repair-boss, in place of the general foremen.

From these two early organization forms there gradually developed a composite type which retained certain features of the military and functional. This type is usually known as the "line and staff organization". It combines the advantage of having line authority, with the additional asset of the functional staff. The latter enables the enterprise to secure the necessary technical, operating information. This makes it possible to secure maximum advantage from departmental operation or functionalization without weakening the line authority.

The most recent advance made in organization work has been the development of committees. As businesses have grown in size, it has become necessary to lighten the burden of certain key executives. This difficulty has been overcome by the use of managerial committees. These committees usually consist of the major departmental or functional executives. This procedure not only makes it possible to form better business judgments, but brings about correlation and creates *esprit de corps*. The larger the company, the greater the need for definite co-operation among responsible executives. Standing committees are frequently interested in solving routine problems of operation. In addition, they learn of important corporate policies and organization development, and suggest courses of action to the committee chairman who is usually held responsible for determining important decisions. This form of organization augments the regular line and staff plan, particularly in the case of very large companies.[13]

The third primary fundamental relates to holding each important person in the organization definitely responsible for certain activities. If the system is developed so that there is fixed responsibility, there can be no possibility of having vertical gaps or overlaps of duty along the lines of authority which have been laid down.[14] The enterprise, that definitely sets forth all duties, activities, or functions that must be performed and then delegates these to particular executives and holds them accountable, is following out the third primary organization fundamental. Efficiency of operation is retarded and discipline undeveloped unless they are carried out. Fixed responsibility with the necessary authority acts as an incentive to executives.

When a comparative study of the organization charts of repre-

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[13] The statements dealing with industrial management analysis and technique cannot be set forth completely. Those unfamiliar with the literature, particularly as regards organization, should read the following references: (1) Landsburgh, R., Industrial Management, (2nd Edition); (2) Oliver Sheldon, B. A. (oxon.), The Philosophy of Management; (3) Kimball, Dexter S., Principles of Industrial Organization; (4) Marshall, L. E., Business Administration, Chapter IX.

[14] Each person should be given a definite work to do. If all functions of the business are clearly assigned, then there will be no possibility of overlapping duties. Unassigned duties or a misunderstanding of duties will cause a break in the continuity of work.

sentative companies is made within a single line of business, it will be possible to set forth the divisional aspects or the extent of departmentalization. However, it should be remembered that an organization chart will show more than the functions. A chart usually indicates positions, and this relates to the personal equation. Thus, when we study the organization of the chain-grocery-store business we are analyzing the functions as they are delegated or divided between human faculties and aptitudes. Organization charts, therefore, in part represent a study of executive and administrative abilities. Oliver Sheldon points out that several men will be engaged in the work of one function, but each will contribute different abilities; some will be advisory in nature, others supervisory, others clerical, and so on. Any organization plan must consider these human qualities.

In the last few paragraphs I have alluded to the problem of business functions. Some business writers use the term organization synonymously with functionalization. In studying the organization of chain stores, it is necessary to analyze the functions or divisions of the business. Several writers in the business field have enumerated the functions of management. These enumerations vary. Some are based upon a priori reasoning; others have been developed by a thorough examination of business organizations. Those listed by the latter method conform to the departmental aspects of an enterprise, such as production, facilitation, and distribution or sales. The former analysis seems much more fundamental and theoretical, but less practical. It goes back to the generic activities that must be performed. Such a functional classification includes the following: production and technological considerations, finance, buying or purchasing, selling, risk and risk-bearing, personnel problems or activities, and control activities, which involve the knowledge of mathematics, statistics, and accounting. The functions of a retail business are likely to be less inclusive than those that might be found in the case of a manufacturing and selling enterprise. Off hand, it would appear that a large retail establishment, such as a department store, would be concerned with the problem of buying and selling, storage and delivery, and finance and accounts. While these activities appear quite logical, their knowledge would

not enable one to organize adequately or reorganize a large metropolitan store. It would be necessary to ascertain how stores have gradually arranged the form of the organization in conformity to the human qualities available. By so doing, they have endeavored to secure the most efficient combination. A study of the functional divisions of a particular type of trade, such as the chain-grocery-store business, includes this humanistic side of management.

Distributive or Trade Organizations

Now that the organization data as developed in the literature on industrial management has been briefly presented and discussed, it is desirable to present and evaluate that which has accumulated in the wholesale and retail trade. Before doing this, it is advisable to reiterate the fact that it has only been within recent years that these trades have assumed any size as contrasted to the manufacturing business. For this reason, the literature is quite meager and very recent. Where interpretations have been made of the organization set-up they have been based upon industrial experience. There are very few professional firms in the wholesale and retail trade that are comparable to the industrial consultant as found in the manufacturing field. The management material that is available is purely factual. To the writer's knowledge, only one comparative and interpretative study of wholesale trade has been made.[15] The literature that has appeared relates more to the operating problems than to the management, using the latter term in a functional sense.

Wholesale Businesses

Since the study of chain stores relates to a type of retail trade which for the most part has eliminated the wholesaler, it is logical that consideration should be given to the organization of the wholesale trade and particularly the grocery field. While the chain-store companies have eliminated the wholesaler and are dealing directly with manufacturers and producers, in the major-

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[15] T. R. Beckman, Wholesaling.

ity of cases, this does not mean that the functions or activities of the wholesaler have been eliminated. It is desirable, therefore, to review briefly the divisional aspects and form of the wholesale business. While there naturally will be certain differences in wholesale organization, depending upon the line of goods handled, the size of the business and the aim and policy of the firms, there are certain common divisions to be found in most establishments. These divisions are as follows:

1—*The merchandise division.*

In the wholesale, as in the retail business, one finds the merchandise function. This may be thought of more definitely as buying and selling, but more particularly the former. While in most large wholesale houses the buying is divorced from the selling, in certain trades the buyers act as floor managers or house salesmen. This is true in many dry goods establishments and especially where the merchandise manager has several assistants who actually carry on the buying function. The smaller wholesale establishments usually have a head buyer or merchandise manager and a few assistants. In these cases the head executive buys all new items and places all large orders. Standard repeat items are ordered by the assistants.

The exact number of merchandise departments or specialized buyers will vary with the size of the establishment, the line of business, and the relative importance of certain items. One large catalog wholesale house has as many as seventy-six merchandise departments. In the case of the wholesale grocery field, which is of special interest to the present study, the following departments are found:

A. Canned goods
B. Sugar
C. Tea and coffee
D. Cereals
E. Dried fruits and vegetables
F. Syrups, molasses, jams and jellies
G. Flour
H. Condiments
I. Cigars, cigarettes and tobacco

The degree of specialization, as found in the larger wholesale grocery companies, gives a very definite basis for later comparison when the chain-store divisional aspects are presented.

2—*The operating division.*

This division is usually handled by the warehouse superintendent. In wholesaling, the warehouse corresponds to the store in retailing. Just as we find the store superintendent in a large retail establishment taking care of the service and physical aspects, so in wholesaling we have the warehouse superintendent. He is responsible for the physical condition and arrangement of stock. He usually has charge of stock control, and general supervision of receiving, assembling orders, packing, shipping, and local delivery. Finally, it usually falls to his lot to assume full responsibility for the condition of the building, its equipment, and fixtures.

3—*The sales division.*

The sales manager is in charge of all sales activities. He usually has direct charge of the salesmen who periodically call on the retail trade. Because of the relatively small amount of advertising carried on by the wholesalers as a group, with the possible exception of those who sell through catalogs, this function comes under the supervision and direct control of the sales manager. Usually all contact with the wholesaler's customers, with the exception of invoices for merchandise, is made through the sales division. All customer complaints and adjustments are handled by this department.

4—*The finance and accounts division.*

While the financial aspects may become a separate division of the business from the control (accounting), it is more frequently found to be merged. The title of the departmental executive is known as the controller. The controller is in direct charge of the accounting division. Sometimes the accounting and statistical records, which include the taking of periodic trial balances and preparation of income statements, are under the control of an auditor. Another minor division of this function is that of cashiering. The head cashier is responsible for all cash trans-

actions and normally keeps all records of notes receivable and payable. The general office force is in charge of an office manager in the larger wholesale firms and reports to the controller. He has charge of all incoming and outgoing mail and has charge of the order and billing activities.

When it comes to the problem of credits and collections, there seems to be a wider variation as to its proper place in the organization. In some wholesale businesses it is functioning under the sales division. In still others, particularly the larger ones, we find the credit function is given a major position along with the sales, merchandise, and warehouse operation. The problem of credit and credit extension is very important in wholesaling. Because sales and credits represent two different viewpoints, it has been found through experience to assign the functions of the credit department to a major executive or a credit manager who is responsible to the treasurer or controller of the business.

Briefly, the departmental divisions that usually are found in the wholesale business, while practically parallel to those of the retail business, consist of merchandising (buying), operating (warehousing), sales, and finance and accounts. The organization of a wholesale grocery business, that is performing the regular sales, credit, and delivery service, in chart form, appears on page 23.[16] The following chart shows the divisions and subdivisions of the business. The lines indicate the flow of authority. Since many wholesale businesses started on a small scale, the functions were seldom differentiated and the value of specialization was not fully appreciated. Historically, it assumed the military type. The present form is still very much of the same type except for greater specialization. This specialization has taken place largely on the basis of the individuals who have grown up in the business and not because of any scientific analysis of the proper functions.

Retail Businesses (other than chains)

In the retail field there has been at least one outstanding study relating to organization. Paul Mazur, with the cooperation and

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[16] This chart is reproduced, with slight changes, from a book written by Beckman, T. R., Wholesaling, p. 112.

assistance of the National Retail Dry Goods Association, made a study of the proper organization of department stores.[17] This research covered a considerable time and was possible only by the complete assistance of the representative department store executives throughout the country. While the work was the first of its kind on a large scale, the results were of sufficient importance to make it one of the leading topics at the 1927 National Convention of the aforementioned association. The larger retail department store executives have become conscious of the management movement and particularly that aspect which relates to the functional divisions of the business. This work presented the functional and line authority of store executives. It has created considerable discussion among major store managers. The work represents a milestone in the history of retailing.[18]

The management problems of retail establishments generally have been given very little attention. The large majority of retail stores are very small. The personnel consists of the owner-manager and one or two clerks who very frequently are members of the same household. Under these conditions the various functions which must be performed are handled by a person who is not versed in all details. The organization of a large unit store over a small one shows little variation. Some duties, of necessity, must be delegated to understudies in the enterprise. To this extent some specialization takes place, but rarely departmentalization. From this it can be seen that little information is available when the unit store, such as the grocery, drug, shoe and hardware stores, is considered. All organization data that is available, therefore, relates to the large centrally-located metropolitan stores. Although the department store field is quite different from that of groceries, not only in respect to the nature of the goods handled, but also in respect to the policies of the stores, some value should accrue if the organization features are considered. The one similar factor is that the grocery business

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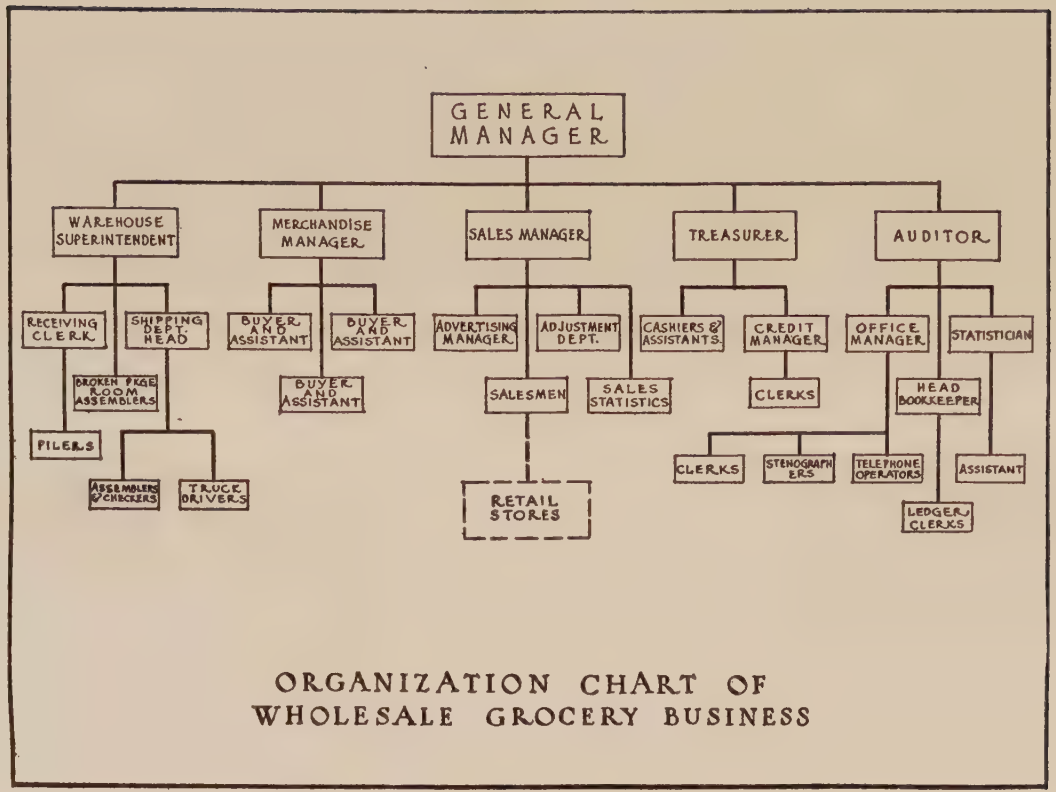
[17] Paul M. Mazur, Principles of Organization Applied to Modern Retailing.

[18] Literature dealing with this general topic (Doubman and Whitaker of the Wharton School of Finance and Commerce) and (Dr. Norris Brisco of New York University and Donald K. David of the Harvard Graduate School of Business Administration) appeared previously and simultaneously.



ORGANIZATION CHART OF
WHOLESALE GROCERY BUSINESS

CHART NO. 1

and the department store business are both retail and, therefore, have certain things in common.

Even though there are certain functional differences found in the organization of large stores, a comparative study of a number of businesses has shown the following main divisions to exist:

1. Service Department.
2. Merchandise Department.
3. Accounting and Financial Department.
4. Advertising Department.

The detail divisions of the above functions and the lines of authority are shown in the chart No. 2 on page 25.[19] This chart is typical of metropolitan department stores.

It is hardly necessary to explain the duties of the various chief executives because the chart shows sufficient detail to indicate the various duties and degree of specialization. If we find this degree of refinement in a large store, then the question naturally arises, to what extent is it possible to bring about greater specialization and division of labor in the case of the unit grocery store. In the department store there is specialization all along the line. Buying is separated from selling and advertising; the physical aspects are handled by the store superintendent who has his sub-executives; finally, the finance and accounts activities are delegated to a specialized personnel. It should be noted in the organization chart that the number of buyers was not indicated. Large department stores have from fifty to a hundred and fifty merchandise buyers.

Department store organization technique has developed almost to the same point of efficiency as that of the large industrial establishments. Most of them have long since discarded the military type and have been operating with a specimen of organization that can be said to be quite similar to the line and staff, or line and functional. Some of the very largest stores have staff men. This is illustrated by the stores that have a material testing department, an economist who is consulted by the various line executives, and style experts who are consulted by the depart-

[19] Doubman and Whitaker, The Organization and Operation of Department Stores, opposite p. 32.

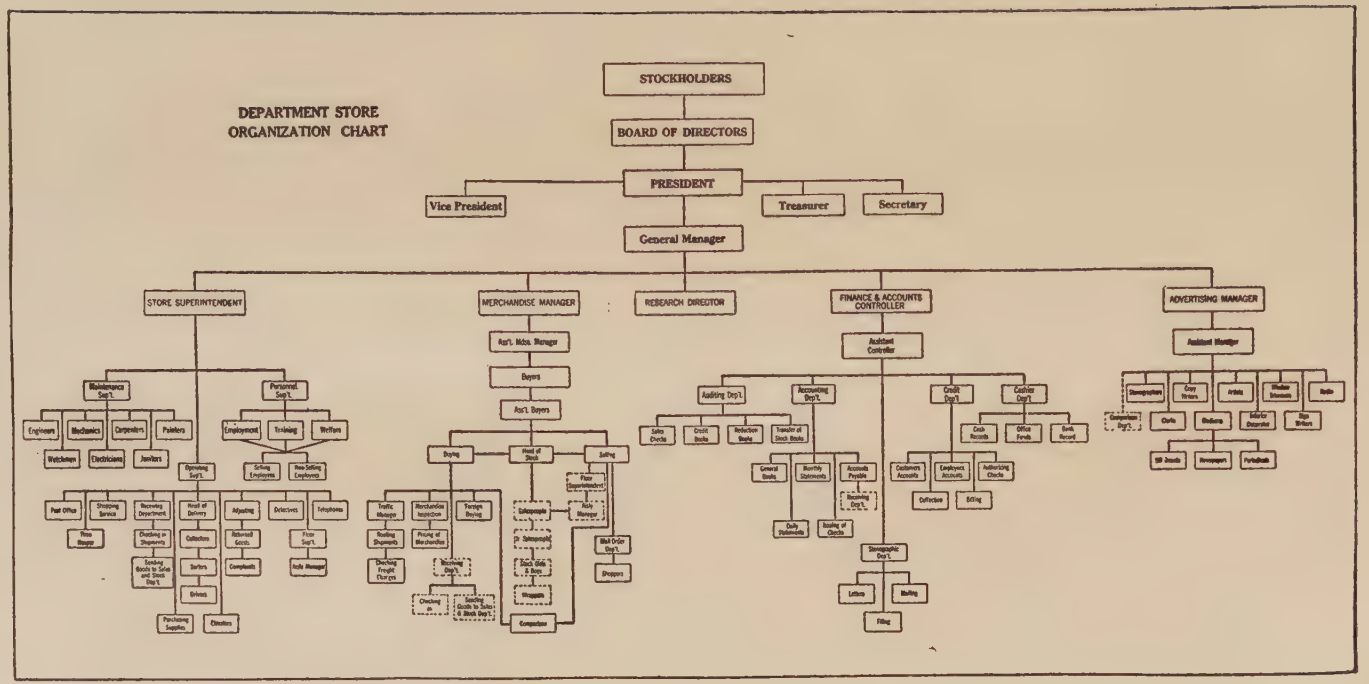

DEPARTMENT STORE
ORGANIZATION CHART
STOCKHOLDERS
BOARD OF DIRECTORS
PRESIDENT
Vice President
Treasurer
Secretary
General Manager
STORE SUPERINTENDENT
MERCHANDISE MANAGER
RESEARCH DIRECTOR
FINANCE & ACCOUNTS CONTROLLER
ADVERTISING MANAGER
Maintenance Sup't.
Engineers
Mechanics
Carpenters
Painters
Watchmen
Electricians
Janitors
Personnel Sup't.
Employment
Training
Welfare
Operating Sup't.
Selling Employees
Non-Selling Employees
Post Office
Shopping Service
Receiving Department
Checking in Shipments
Sending Goods to Sales and Stock Dep't.
Purchasing Supplies
Head of Delivery
Collectors
Sorters
Drivers
Elevators
Adjusting
Returned Goods
Complaints
Detectives
Floor Sup't.
Aisle Manager
Telephone
Asst. Mdse. Manager
Buyers
Asst. Buyers
Buying
Head of Stock
Selling
Traffic Manager
Routing Shipments
Checking Freight Charges
Merchandise Inspection
Pricing of Merchandise
Receiving Dep't.
Checking in
Sending Goods to Sales & Stock Dep't.
Foreign Buying
Salespeople
Stock Girls & Boys
Shoppers
Comparison
Floor Superintendent
Aisle Manager
Mail Order Dep't.
Shoppers
Auditing Dep't.
Sales Checks
Credit Books
Reduction Books
Transfer of Stock Books
Accounting Dep't.
General Books
Monthly Statements
Accounts Payable
Receiving Dep't.
Daily Statements
Routing of Checks
Assistant Controller
Stenographic Dep't.
Letters
Mailing
Filing
Credit Dep't.
Cash Records
Office Funds
Bank Record
Cashier Dep't.
Customers Accounts
Employees Accounts
Authorizing Checks
Collection
Billing
Assistant Manager
Stenographers
Copy Writers
Artists
Window Dressers
Radio
Interior Decorator
Sign Writers
Comparison Dep't.
Clerks
Checkers
Bill Boards
Newspapers
Periodicals

CHART NO. 2

ment buyers. R. H. Macy & Co., of New York City, operates a staff department which is known as the planning department.[20] The head of this department explains the duties as follows: "Our planning—or methods department—assists the operating managers in a staff or service capacity in the determination of what work shall be done, the method to be used, and the condition under which it shall be done. When the standardization of the job is completed, the employment and training departments, together with the planning department, develop job specifications which describe the functions of the job and the qualifications of the worker. Using these job specifications as a guide, the employment department selects the workers and the training department instructs them".[21]

This same company, to some extent, has developed the use of the committee form of organization. There are two important committees that meet weekly. The first, which is known as the advisory council, consists of the officers of the corporation, the general manager, the controller, the publicity manager, and the merchandise councillors. The other committee, known as the board of operations, consists of the vice-president, the general manager, the controller, the assistant general managers, the superintendent of training and employment, and the director of planning. Thus it becomes necessary in any large business that is highly functionalized and specialized to bring about coordination. This is especially true among the principal executives.

It is now desirable to turn to the chain-store business. While considerable information is available relative to the growth of chain-store systems and the history of individual companies, there is very little material which deals specifically with the problems of organization. The two specialized books which deal with the subject do not include any detailed discussion of this aspect.[22] Their contents are largely confined to the history of the various chain fields and their respective operating problems.

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[20] See organization chart in *The Bulletin* of the National Retail Dry Goods Association for October, 1928.

[21] Quoted from *The Bulletin* of the National Retail Dry Goods Association for October 1928, p. 464.

[22] Hayward and White, Chain Stores, "Their Management and Operation" and Wm. J. Baxter, "Chain Store Distribution and Management."

Operation necessarily is closely allied to organization, but, for the purposes of efficient organization as a part of management, they should be kept separate. Because of the rapid growth of chain stores and the limited material dealing with organization, the writer has selected this topic for investigation.

The chain store had its early development, along with other types of retail businesses, such as the department store and specialty store, during the last half of the Nineteenth Century. Its progress, however, has been so great in the first quarter of this century that it can properly be said that the chain-store business represents the latest movement to eliminate inefficiency and waste motion in retailing. Large-scale operations are now being carried on in many retail lines.

TABLE NO. 1[24]

NUMBER OF CHAIN COMPANIES AND STORE UNITS FOR THE IMPORTANT RETAIL TRADES

TRADES	NUMBER OF CHAIN COMPANIES		NUMBER OF STORE UNITS	
	1925	1928	1925	1928
Candy	30	35	677	827
Cigars and Cigarettes	28	24	2,639	2,548
Clothing, Men's and Women's	26	195	499	2,675
Women's Ready-to-Wear	37	236	443	1,865
Men's Haberdashery	61	315	662	2,337
Men's Hats	15	35	405	610
Millinery	37	79	685	1,066
Drugs	331	387	2,922	3,050
Dry Goods and Department	81	500	1,374	4,317
Five and Ten Cent	71	128	4,150	5,230
Hardware and Sporting Goods	48	45	489	534
Restaurants, Tea Rooms, etc	56	133	1,864	2,117
Shoes	55	392	2,572	6,264
Total	876	2,504	19,381	33,440

In the census of distribution conducted by the United States Bureau of the Census, covering eleven (11) cities of the country,

[23] These facts are quoted from the Census of Distribution, which was issued by the Committee on Collection of Business Figures and prepared by the Domestic Distribution Department of the Chamber of Commerce of the United States, Washington, D. C., May 1928, p. 66.

[24] Quoted from the *Magazine of Business*, September 1928.

it was found that of the 93,928 retail establishments, 14,150 were chain stores, which represents 15.1 per cent of the total number. The sales volume of the chains amounted to 28.7 per cent.[23] Considering the fact that these figures are based upon a study made in the larger cities, it is very likely that this estimate should be reduced somewhat if an accurate figure for the entire country is desired.

The extent of present chain-store development and the recent changes in the more important trades, with the exception of groceries, may be summarized in Table No. 1 on page 27:

A perusal of the facts will show that many new chains are being organized. While the increase in the number of new chain companies is close to 300 percent, the increase in the number of chain stores is only 173 percent as compared with the 1925 figures.[25] The foregoing comparative tables do show, however, the relative importance of chains by trades and the recent expansion of new companies.

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[25] The figures in the case of dry goods and department stores show a very large increase. William Baxter, in his book—Chain Store Distribution and Management—only lists 189 department store chains, but in the case of Five-and-Ten Cent Stores to One Dollar, he lists 786 companies as contrasted with 128 as given above. Chain-store statistics, partially because of the many changes and terminology, seem impossible of comparison. Department stores and Five and Ten Cent Stores to One Dollar have frequently been tabulated together.

II

The Chain-Grocery-Store Field

Terminology of Retail Trade

It is desirable to develop a definite terminology in any field of investigation. This is needed particularly in retail merchandising. Statistical data dealing with retail establishments are very inadequate. No two compilations agree, or come anywhere near agreeing, as to the facts of chain stores. The chief difficulty lies in the definition of what constitutes a chain. Unless the term "Chain Store" and other retail terms, such as "Department Store", "Specialty Store", and "Unit Store" are defined, a great deal of confusion and difficulty will arise. The government, in its attempt to gather retail statistical data in various cities of the country, has been confronted with the problem of classifying and enumerating retail outlets. Certainly, before one can make an enumeration of the stores, it is necessary to define the various types.

Upon analyzing the basis for the classification of retail establishments, we find at least three different factors,—namely, (1) the kind of merchandise, (2) the form of ownership, and (3) the method of operation. In some cases the differentiating factor is that of price as illustrated by the so-called five-and-ten-cent store chains. The first and third factors listed above seem to be most important and necessary in order to differentiate or classify retail businesses. The term "Department Store", for example, is usually defined by including the following characteristics:

1. That the store is organized on a departmental basis, or many allied lines of merchandise under one roof.
2. That one of the major departments is dry goods.

Up to the present time, no classification of retail stores has been listed according to the form of ownership, *i.e.*, individual, partnership, corporate, and cooperative. While it is not the purpose of

this study to settle the problem of retail terminology, the following classification is suggested and used for the purpose of differentiating retail trades:

1. Chain-store organizations:
   a. Department chain stores
   b. Mail-order chain stores.
   c. Unit chain stores.
2. Department store organizations, divided according to:
   a. The number of departments or merchandise lines.
   b. The volume of business.
3. Mail-order organizations, divided according to:
   a. The number of departments or merchandise lines.
   b. The volume of business.
4. Unit-store organizations, listed according to:
   a The lines of merchandise, *i. e.*, groceries, hardware, drugs, etc.
   b The volume of business.

The above classification differentiates retail establishments according to the method of operation. Briefly, the methods of operation may be stated thus: Chain Store,—centralized operation with decentralized locations; Department Store,—centralized operation with centralized location; Mail-Order Store,—centralized operation and location with mail-order selling; Unit Store,—centralized operation with no departmentalization. The first sub-classification, with the exception of the chain-store organizations, indicates the kind, or kinds, of merchandise sold and the volume of business done. In the case of the chain-store organizations, in addition to having them divided into department, mail-order, and unit-store types, they may be subdivided according to the kind, or kinds, of merchandise and sales volume.

Applying the above classification of retail trade to the grocery business, we would say that all grocery stores may be classified as either 1-c or 4. Some stores, designated as grocery stores, are in reality department stores. Many are now handling meats, fresh fruits, and vegetables in addition to a full line of staple groceries. To call these grocery stores is certainly misleading. In such cases the term that has been applied and adopted for this

research is "combination grocery store". A "combination grocery store" is one that handles fresh meats in addition to groceries.

General Characteristics of Chain Stores

It is well to summarize at this point the salient features and policies of the chain-store business, particularly as they differ from other types of retail institutions. These features are as follows:

1. Decentralized locations of retail outlets.
2. Centralized buying, advertising and sales promotion, finance and accounts, and general administration.
3. Operated with a policy of limited store service.
4. The merchandise handled has been confined to the items with large sales and rapid turnover.

The chain-store business reaches its greatest success in those fields in which consumers must make frequent purchases. This certainly is true today in the sale of groceries. Such products are usually identified by the manufacturers', producers', or retailers' trademark. Concentration on the volume or fast-selling items makes it possible to operate with maximum efficiency. Some wholesale grocers carry as many as 2,000 items in the warehouse, while the average chain grocery store serves its patrons with only 700.[1]

A more elaborate statement of chain-store operating features was published in one of the leading retail trade publications.[2] The points contained in this article, with slight changes made by the writer, follow:

1. Chain stores choose their locations carefully. They check the number of people passing the store daily, and estimate the probable number of sales and the average amount per sale. If the estimate fails to work out in practice, they change the location. One store moved three times before a paying location was found.

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[1] T. N. Beckman, "Wholesaling", p. 13.

[2] "Hardware Age", issue of February 3, 1927. Slight changes were made in this list of features in order to conform to the chain-grocery business.

2. Chain stores arrange relatively long-time leases on good locations, and use the length of the lease as an argument for cheaper rental. If the owner of the desired location asks too much rental they seek an equally good location at what they consider the proper price. A close check-up is always kept on the relation of rents to sales.

3. The management keeps comparative lists of all stores in the chain, concentrating on the ones which fall below a certain average in sales. Managers and clerks in the weaker stores are changed; advertising is analyzed, and often put on a special basis. The weak store is made an individual problem until it becomes a producer.

4. Chain stores employ low-priced help, and do their merchandising on the basis of price. They use good window displays, installed at regular intervals, and price tag all merchandise shown. They depend on circularizing and other media of advertising to bring people into the store. Attractive store fronts in a standard color are also used to draw customers. Quantity buying and discounts give them a price advantage over the individual retailer, on many lines.

5. Chain stores use their own brands and labels in many cases. The goods are manufactured by those makers who submit the lowest prices on the quantity desired. Frequently, they manufacture and bottle their own brands.

6. Chain stores carefully locate and stop all profit leaks. They keep close track of wrapping paper, bags, string, etc., and check all expense items which seem high. They test scales regularly and insist on clerks weighing and measuring accurately. They save and profitably dispose of empty boxes, barrels, bags, packing material, waste paper, etc.

7. Chain stores clean out all merchandise which does not sell on a fairly rapid basis. New goods are held in reserve until all the old stock has been sold. Few brands are carried, but a fair range is maintained.

8. Chain stores use an exchange system to regulate sales of merchandise. If one store finds it difficult to dispose of certain items or lines, they are turned over to some other store in the chain in exchange for more rapidly selling lines.

9. Managers of chain stores are required to maintain a set standard of cleanliness and efficiency. They must maintain a certain sales volume.

10. Chain stores discount their bills.

11. Chain stores maintain uniform prices, which are set by the general management. Consequently, the public does not question the price.

12. Chain-store employees are required to wrap advertising matter with all *fast selling* items. This helps to sell the slow movers.

13. All unprofitable items are weeded out of stock. Chain stores endeavor to handle only profitable merchandise.

14. Chain-store managers are relieved of all buying and credit worries. They put all their time and effort into the condition of stock, its display, and sale.

The Rapid Growth of the Chain-Grocery-Store Field

In a previous section a comparative list of the number of chain-store companies and units operated were given, with the exception of the grocery trade.[3] According to the same source of information, the following number of food chains are given:

TABLE NO. 2

HE NUMBER OF CHAIN GROCERY COMPANIES AND THE NUMBER OF STORE UNITS IN THESE CHAINS FOR 1925 AND 1928[4]

	NUMBER OF CHAIN COMPANIES		NUMBER OF STORE UNITS	
	1925	1928	1925	1928
Grocery and Tea	340	294	36,528	36,949
Grocery and Meat (Combination Stores)	109	91	7,905	10,259
Total	449	385	44,433	47,208

[3] See page 37 for previous tabulation and reference.

[4] The total number of companies listed for 1925 is greater than the number listed for the same year in Table No. 4 on page 45. The variation is partly due to the fact that the former number includes meat as well as grocery chains. In both tabulations there has been a decrease in the rate of growth of new companies from 1925 to 1928.

Contrary to the development of the chain-store field as a whole, the foregoing figures show a decrease of 64 companies or 14.3 per cent. The number of store units, rather than showing a corresponding decrease, show an increase of 2,775, or 6.2 per cent. The average size of each chain company, in 1925, was approximately 100 stores. In 1928, the average number of stores per company was 123. Thus, while the number of companies decreased 14.3 per cent, the size of the chains increased 24.2 per cent. These comparative facts show that there has been a definite slowing up in this particular trade, at least in terms of the number of chain-store companies. It appears that many mergers and consolidations have occurred. Investigation in this direction verifies the contention.

Indicative of this movement toward consolidation and merger, the following summary facts of certain large chain-grocery-store companies in the country, relative to the acquisition of competing businesses and those taken over as a part of their extensive development, will be briefly set forth.[5]

The Kroger Grocery and Baking Company, Cincinnati, Ohio

This company was incorporated April 3, 1902, under the laws of Ohio. Since that time, it has absorbed the following companies:

	YEAR	STORES
1. Great China Tea Company, Cincinnati, Ohio	1908	40
2. Schneider Grocery & Baking Co., Cincinnati, Ohio	1908	15
3. Ohio Grocery & Baking Co., Columbus, Ohio	1916	8
4. Tanian Brothers Co., Columbus, Ohio	1918	12
5. Wayne County Wholesale Grocery Co., Detroit, Mich.	1917	none
6. Schneider Grocery & Baking Co., Detroit, Mich.	1917	13
7. Tiedtke Thrift Stores, Toledo, Ohio	1924	48
8. D. P. Childs Stores, Indianapolis, Ind.	1924	70
9. Hoosier Grocery Stores of Ft. Wayne, Fort Wayne, Ind.	1928	73

[5] These facts have been secured from the Monthly Guide and Index of Standard Corporation Records, newspaper financial news items, and from company officials.

10. Foltz Grocery & Baking Co., Cincinnati, Ohio	1928	195
11. Missouri-Illinois Stores Co., St. Louis, Mo.	1928	148
12. Eagle Grocery Co., Pittsburgh, Pa.	1928	114
13. C. Thomas Stores, Inc. with subsidiary and affiliated companies, Grand Rapids, Mich.	1928	167
14. Universal Grocery Co., Madison, Wisc.	1928	82
15. Piggly-Wiggly Valley Co., St. Louis, Mo.	1928	108
16. The Middle States Stores Co., Cin.-Dayton,Ohio. (P. W.)	1928	30
17. The Columbus Piggly-Wiggly Co., Columbus, Ohio.	1928	31
18. Heilman Baking Co., Madison, Wisc.	1928	none
19. Cleveland Piggly Wiggly Co., Cleveland, Ohio	1928	19
20. Memphis Piggly Wiggly Co., Memphis, Tenn.	1928	58
21. Fly & Hobson Co., Memphis, Tenn.	1928	15
22. Cox Stores, Little Rock, Ark.	1928	81
23. Dunn Mercantile Co., Wichita, Kansas	1928	28
24. Sipes Service Stores, Oklahoma City, Okla.	1928	9
25. Piggly Wiggly Co., Muskogee, Oklahoma	1928	5

The Kroger Grocery & Baking Company now operates in the states of Ohio, Indiana, Kentucky, Missouri, Michigan, Illinois, West Virginia, Wisconsin, Pennsylvania, Arkansas, Mississippi, Tennessee and Oklahoma. The company had forty stores and did a business of $1,750,610 in 1902. At the end of 1927, there were 3,749 stores. The sales volume was $161,261,354.

American Stores Company, Philadelphia, Pa.

The American Stores Company was incorporated under the laws of Delaware, on March 19, 1917. The company was formed to acquire the business and assets of the following grocery chain-store companies:

	FOUNDED	STORES
1. The Acme Tea Company	1887	433
2. Robinson-Crawford	1891	186
3. The Bell Company	1890	214
4. Childs Grocery Company	1883	268
5. George M. Dunlop Company	1888	122

At the time of the merger, the American Stores Company was the largest local grocery chain in the country. Since 1917, the following additional companies have been acquired by the American Stores Company:

6. Mullison Economy Stores—Wilkes-Barre, Pa., 62 stores (1924)
7. Fred P. Bell Stores Co.—46 grocery and meat stores (1926)
8. Endicott Johnson Corp. Cooperative Grocery Stores of New York State (May, 1927)
9. Old Dutch Market Stores, District of Columbia—19 stores (February, 1928)
10. United States Stores Corp. of New Jersey—Orange, N. J., 305 grocery and meat stores (March 1, 1928)
11. Cupp Grocery Company, Johnstown, Pa., 62 grocery and meat stores (January 1, 1929).

The American Stores Company now operates over 2,500 stores, of which about 1,300 are in Philadelphia; the remainder are in eastern Pennsylvania, New Jersey, Delaware, Maryland, the District of Columbia, and New York. This company, in the last year, has expanded to the north, west, and south from their main headquarters.

National Tea Company, Chicago, Illinois

This company was incorporated on February 6, 1902, in Illinois. The business was originally formed, in 1899, with the initia investment of $5,400 in two stores. Today the National Tea Company operates about 1,600 stores in Chicago and the vicinity, including the National Tea Company of Minneapolis which controls over 250 stores. Other companies which have been taken over by the Chicago firm are as follows:

1. John R. Thompson Company (71 stores), December 1923
2. Piggly Wiggly Stores of the Chicago district (97 stores)
3. Red Ball Stores, Inc. (60 stores), 1924
4. Piggly Wiggly Stores of Minneapolis and St. Paul (55 stores) June, 1927
5. Great American Stores Company (73 stores), December 12, 1927
6. Consumers Wholesale Grocers Company, Chicago Heights, Ill. (60 stores), December 12, 1927

The National Tea Company of Wisconsin is owned also by the parent company. The Wisconsin Company operated about 159 stores in January, 1929.

Many of the larger grocery chain companies have expanded their business in the same manner as indicated in the preceding paragraphs. Certainly, it is self-evident that nearly all of the larger companies, such as the First National Stores, Inc., of Boston, Mass., the Safeway Stores, Inc., and many of the smaller companies have expanded by means of consolidations. In certain cases the identity of the acquired company is retained, at least for a while.[6]

This tremendous spread of chain systems to unprecedented size and geographical expansion has augmented greatly the need for efficient management. As mentioned in Chapter I of this research, the business must be properly organized before proper control of operations is possible. Thus, the question of proper organization is of paramount significance in a trade that has had and is still having a rapid growth. When retail businesses reach the size of employing several thousand workers, proper organization becomes a necessity; otherwise efficient operation cannot be secured.

While the development of many chain grocery store companies goes back to the latter half of the last century, as previously stated, the most rapid progress took place during the first quarter of the present century. No accurate compilation of retail trade of the entire country has ever been made. However, the enumeration of chain grocery companies, as found in Thomas' Register of Wholesale and Retail Grocery and kindred trade lines, presents the chain grocery store development in the last decade or since the World War. A comparative compilation of companies divided according to the number of store units and states indicates the extent of the growth, the sections of the country in which the greatest development has taken place, and the tendency toward

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[6] While it is the policy of most of the parent companies to change the name of the newly acquired stores as soon as possible, there are cases in which this is inadvisable. For example, if a chain company operates Piggly Wiggly Stores in addition to its own stores, it would be best to keep the name before the public because of the features of these stores.

TABLE NO. 3

GEOGRAPHIC DISTRIBUTION OF CHAIN-GROCERY-STORE COMPANIES FOR 1920 AND 1925 ACCORDING TO THE NUMBER OF STORE UNITS OPERATED BY EACH COMPANY

No of Store Units.....	5–25		26–50		51–100		101–200		201–300		301–400		401–500		501–600		601–700		701–800		801–900		901–1000		OVER 1M TO NO. CO.			
Years.....	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25	'20	'25
States																												
Alabama.....	3	4	..	..	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	5
Arizona.....	1	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1	1
Arkansas.....	..	4	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	5
California.....	7	16	1	8	..	2	..	1	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	8	28
Colorado.....	2	6	1	1	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	8
Connecticut.....	9	7	..	1	..	2	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	9	11
Delaware.....	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1	0
District of Columbia...	2	1	..	1	1	..	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	3
Florida.....	2	6	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	2	8
Georgia.....	2	5	..	..	1	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	6
Idaho.....	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	1
Illinois.....	13	14	1	5	..	1	..	..	..	..	..	..	..	..	..	..	..	1	..	..	..	..	..	..	..	..	14	21
Indiana.....	4	5	..	2	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	4	8
Iowa.....	4	7	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	5	7
Kansas.....	3	6	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	6
Kentucky.....	3	3	1	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	4	4
Louisiana.....	..	4	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	5
Maine.....	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	0
Maryland.....	2	1	2	1	..	1	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	4	4
Massachusetts.....	12	17	2	3	..	4	2	4	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	16	28

Michigan	1	5	..	1	..	..	1	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	2	7
Minnesota	3	3	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	5
Mississippi	1	5	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1	5
Missouri	2	8	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	2	10
Montana	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	2
Nebraska	3	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	3	1
Nevada	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	0
New Jersey	10	4	1	1	1	2	..	1	..	1	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	1	1	13	11
New Mexico	1	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1	1
New York	25	23	7	7	..	9	2	2	2	4	..	2	..	1	..	..	..	..	..	..	1	..	..	..	..	..	1	36	50
North Carolina	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	2	0
Ohio	12	11	1	4	2	1	..	2	..	..	..	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	1	16	19
Oklahoma	..	2	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	3
Oregon	..	1	..	2	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	4
Pennsylvania	13	18	2	7	1	3	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1	1	17	31
Rhode Island	1	2	..	..	..	1	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1	4
South Carolina	5	4	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	5	4
Tennessee	3	3	3	2	..	1	..	1	..	..	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	6	8
Texas	3	12	1	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	4	13
Utah	1	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	1	2
Vermont	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	0
Virginia	..	3	..	2	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	6
Washington	4	7	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	4	9
West Virginia	2	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	2	2
Wisconsin	2	6	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	2	7
Wyoming	2	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	2	2
Total	160	235	23	60	7	30	5	21	2	8	0	2	0	3	1	0	0	1	0	0	0	1	0	0	2	4	206	365

consolidation of companies. (Table No. 3 on pages 38, 39.)[7]

Rapid changes in the size of the larger companies have taken place since 1925. While the total number of companies operating over five stores has not increased to any appreciable extent, there has been a large number of consolidations. However, recent consolidations have compensated for the total number of new companies that are classified in the most recent chain-store tabulation. A comparative view of the chain-grocery-store companies, with corrections for the number of companies brought up to date by the writer, is presented in Table No. 4.

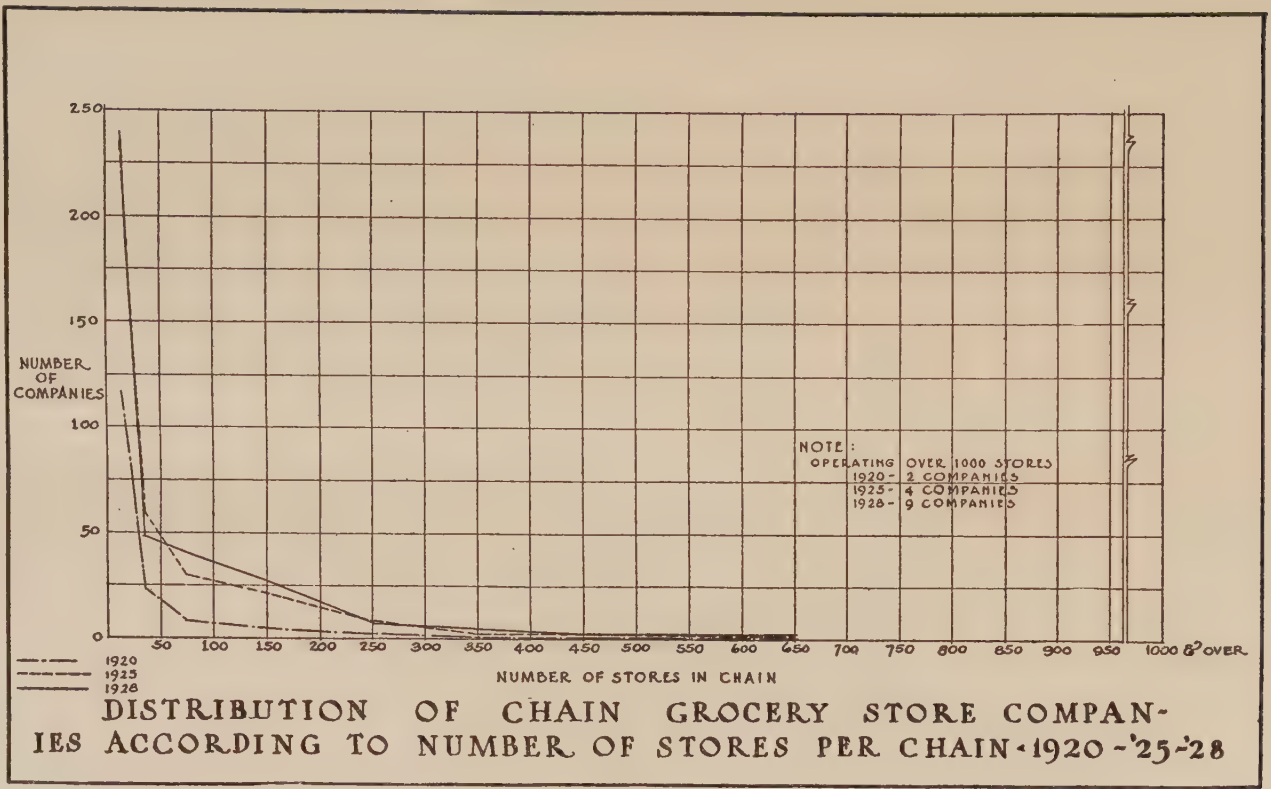
TABLE NO. 4

DISTRIBUTION OF CHAIN-GROCERY-STORE COMPANIES ACCORDING TO THE NUMBER OF STORE UNITS PER CHAIN IN 1920, 1925, AND 1928

SIZE OF CHAINS (NUMBER OF STORES)	NUMBER OF COMPANIES		
	1920	1925	1928
5– 25	116	235	240
26– 50	23	60	48
51– 100	7	30	39
101– 200	5	21	27
201– 300	2	8	7
301– 400	0	2	6
401– 500	0	3	2
501– 600	1	1	0
601– 700	0	1	3
701– 800	0	0	0
801– 900	0	1	0
901–1000	0	0	0
Over 1000	2	4	9
Total	206	365	385

The companies that operate from 5 to 25 stores do not afford as wide a scope for the study of several important elements as do the larger chains. Specialization and general organization technique can be studied more widely and intensively in the larger businesses. The smaller firms are largely one-man businesses.

[7] These figures were tabulated from the grocery chain-store lists as published by Thomas' Wholesale Grocery and Kindred Trades Register in the 1920 and 1925 editions respectively, which are published by the Thomas Publishing Company of New York City.



DISTRIBUTION OF CHAIN GROCERY STORE COMPANIES ACCORDING TO NUMBER OF STORES PER CHAIN - 1920 - '25 - '28

CHART NO. 3

In the above tabulation, therefore, it is desirable to note the increase of companies operating over 26 stores. These facts are vividly illustrated in Chart No. 3 on page 41. In 1920, there were only 40 companies operating over 26 stores. Of this number, 23 companies, or 58 per cent of the total, were operating from 26 to 50 stores. These facts prove conclusively that the problems of organization arose only in the case of a few firms. From 1920 to 1925, the greatest increase of medium and large-sized establishments took place. There were 130 firms operating chains of 26 stores and up in 1925. Of this number, 60 companies, or 55 per cent of the total, were conducting businesses having but 26 to 50 stores. The more significant comparison is between those companies of 40 stores and those of 130 stores. In other words, from 1920 to 1925, we find an increase of 325 per cent in the number of chain-grocery-store firms operating over 26 stores each. This was the period of the greatest development of large companies and this growth brought about the increasing need for the consideration of the subject of organization. From 1925 to 1928, while there has not been any great increase in the total number of companies, there have been significant changes in the size of the companies. This period appears to be marked by many consolidations and mergers as previously stated. Instead of finding local companies, there are now several large chains operating throughout wide sections of the country. There is scarcely a section of the country that is not being served by one of these large sectional chains. The above statements may be visualized more fully, and the number of companies that have become the basis of this study may be more clearly indicated, by the following division of chain stores on page 43:

Comparison of Wholesale and Chain-Grocery Companies

Statistics of retail grocery stores in the United States have been compiled in recent years by credit-rating companies, trade registers, and publishing companies. One tabulation of food stores, which includes groceries, meats, and delicatessens, contains 337,665. The number of wholesalers in the same trade amounts to 20,253 companies. This means that there are only 16.6 retail stores per wholesaler. It does not mean that the

wholesaler has only 16.6 customers. He may have as many as one to two hundred customers, but the average wholesaler is only doing a business which is equal to the total sales of about 17 stores. Another tabulation of the wholesale and retail grocery trade gives 8,167 wholesale and 273,734 retail stores. These figures show a greater number of grocers per wholesaler, the average being 33.5 stores.

TABLE NO. 5

DISTRIBUTION OF CHAIN-GROCERY-STORE COMPANIES ACCORDING TO THE NUMBER OF STORE UNITS PER CHAIN IN 1920, 1925 AND 1928

SIZE OF CHAINS (NUMBER OF CHAINS)	NUMBER OF COMPANIES		
	1920	1925	1928
26–100	30	90	87
101–500	7	34	42
501–1000	1	2	7
Over 1000	2	4	9
Total	40	130	145
All Companies	206	365	385
Per Cent of all Companies[8]	19.5	35.6	37.7

Except for the fact that the first set of figures included meat and delicatessen stores, there is quite a discrepancy between the two enumerations. Lack of an accepted definition of retail trades by all interested parties appears to be the major reason for the conspicuous disagreement of figures. According to two sets of figures dealing with 14 lines of wholesale and retail trade, the number of dealers per wholesale merchant ranges from 15 to 20. These facts for all trades appear to coincide with the average number of grocery stores per wholesaler.[9]

Another source of statistical information which should be

[8] This percentage is figured for each year by comparing the totals in this table with the totals of all companies operating five or more stores (see table No. 4.)

[9] The statistics listed in this paragraph are taken from pp. 6 and 7 of T. N. Beckman's Book—Wholesaling—The Ronald Press Co., Nov., 1926.

comparable and should permit the verification of the previous mentioned facts may be found in a study of eighty-one principal American markets.[10] In the tabulation of wholesale and retail distribution, there are 9,182 wholesaler grocers and 278,300 grocery retailers.[11] According to these figures, the average size of the wholesale grocery and allied trades is equivalent to 30 retail food stores. Since this information is based upon the larger urban centers of the country, it is natural to expect the number of retail grocery dealers to be somewhat greater than the figure given in the preceding paragraph. The difference, however, is not of sufficient importance to invalidate the facts previously stated. Summarily, it may be said that, according to reliable estimates and statistical enumerations of retail food stores and wholesale establishments in the same trade, the average number of stores per wholesaler ranges from 16 to 30, or approximately 25.[12]

Complete statistics of wholesale and retail trade, for the whole country, never have been compiled in as complete a way as population statistics are taken every decade by the Bureau of the Census of the Department of Commerce. However, a preliminary census of distribution for seventeen cities has been made with the hope that at the time of the next population census there also will be made a wholesale and retail trade enumeration. The Director of the Census, in his last annual report to the Secretary of Commerce, made the following statement relating to this matter:[13]

DISTRIBUTION

The census of distribution for the 17 cities referred to in my last annual report has been completed and the reports have been printed and distributed.

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[10] Published under the auspices of leading newspaper publishers by L. M. Barton, Secretary-Treasurer, The 100,000 Group of American Cities, 15 N. Wells St., Chicago, Ill.

[11] *Ibid.*, p. 13.

[12] If figures showing the relative size of the wholesale grocery companies in terms of the number of retail customers, were available, it may be possible to show the mode for the wholesalers compared with the mode for the chain companies. Such a comparison would be more scientific than the one used; and may show the size of the two trades to be very similar, contrary to the facts shown here.

[13] Sixteenth Annual Report of the Secretary of Commerce, June 30, 1928, pp. 89–90.

They include statistics for 93,928 retail merchant establishments and 17,012 wholesale. They represent all retailers, wholesalers, manufacturers' sale branches, brokers, and others engaged in the distribution of goods or commodities. (All manufacturers are also distributors, but the statistics for them are included in the census of manufactures taken every second year.) Thus this census furnishes for the first time, although only for a limited area, reliable statistics concerning the distribution of goods through the wholesale and retail trade. The collection and analysis of these statistics have aided in a better understanding of this field of business and directed attention to the necessity of further and more detailed statistics concerning it. The great variety of transactions involved and the intricate relations of manufacturers, wholesalers, retailers, marts, agents, etc., have been presented in a way that will assist in a better understanding. By directing attention to duplications and unnecessary transactions the statistics will be of great service to merchants of every class.

Responding to the universal demand for a census of distribution covering the entire United States, the Census Committee of the House of Representatives included in the bill providing for the Fifteenth Census a provision covering distribution. This bill passed the House and presumably will be considered by the Senate next December. In the meantime the necessary preliminary work must be started. Various phases of the problem must be considered in detail, such as the marketing of agricultural products, the relationship to mining, to the different branches of manufactures, the chain stores, the mail-order establishments, the number and extent of wholesale as compared with retail establishments, the per capita sales of the different communities, transportation in relation to the mercantile transactions of urban and rural districts, and the effect of improved communication facilities on mercantile transactions of various communities. These and numerous other features are so intricate and involve so many questions that it will be necessary to arrange for a number of committees composed of men familiar with the different branches of distribution to advise the bureau. Preliminary negotiations for the selection of these committees are now in progress.

A comparative study of the average number of grocery-stores per wholesaler and the average number of stores per chain-grocery-store company will assist greatly in visualizing the past and present competition of carrying on this retail trade. According to Thomas' Wholesale Grocery and Kindred Trades Register of 1925, there were 403 companies operating a total of 33,395 retail grocery stores or an average of 83 stores for each company. The same reference for 1927 estimated that there were 535

businesses operating 46,000 units, or an average of 86 stores.[14] From these figures, assuming that the average wholesale grocer does a volume equal to 25 outlets, the chain store companies are doing at least three times this amount. Since the volume of sales per chain store is much greater than that of the independent, the chain organizations are doing a very much greater volume than the proportion just listed.[15] These facts further emphasize the need for the study of organization of chain companies.

While the average size of all chain grocery companies is correct as just given, it should be mentioned that this average is a result of a large number of small chain companies and a relatively small number of chains operating many thousands of stores. Even though the number of companies has increased from 1920 to 1928, and the number of stores per company has increased, the greater percentage of the chain companies still operate from 5 to 25 stores. The number and percentage of chain-store companies operating not over 25 stores each are listed in Table No. 6 on this page.

TABLE NO. 6

NUMBER AND PERCENTAGE OF CHAIN-GROCERY-STORE COMPANIES OPERATING FROM 5 TO 25 STORE UNITS AS CONTRASTED WITH THE TOTAL NUMBER OF COMPANIES IN 1920, 1925 AND 1928

SIZE OF CHAINS (NUMBER OF STORES)	NUMBER OF COMPANIES		
	1920	1925	1928
5–25	166	235	240
26 and up	40	130	145
Total	206	365	385
Percentage of Companies Operating 5–25 store units	80.5	64.4	62.3

[14] It should be noted that the chain-store figures are conservative when compared with previous averages listed on p. 42.

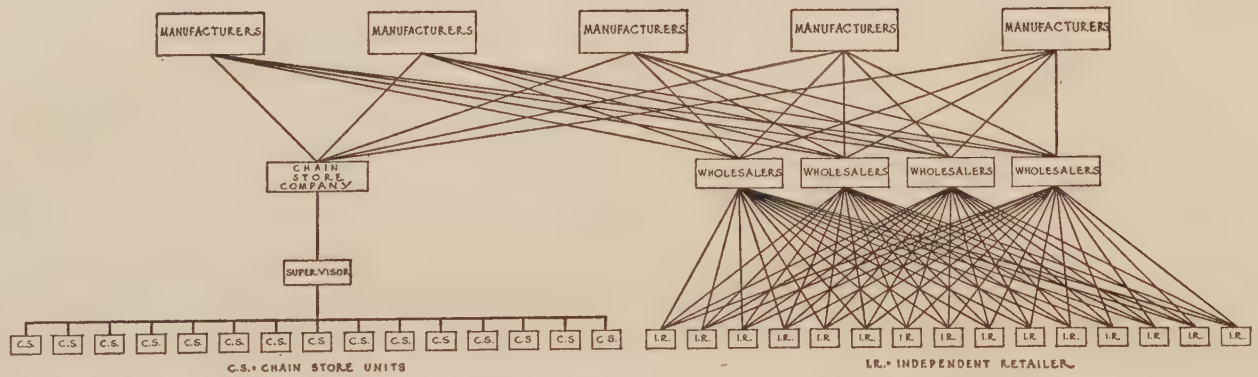
[15] The facts related to the sales volume of chain stores as contrasted to the independent grocery stores, appear on page 59.

The problems of organization are much more important in the case of the larger concerns. While the facts listed in Table No. 6 indicate that the greater proportion of companies operate from 5 to 25 stores, a more significant fact is the change in the percentage of the total companies in 1928 compared with 1920. From this comparison it may be concluded that an increasing proportion of the companies operate more than 25 stores. In 1920 over 80 per cent of the companies were operating from 5 to 25 stores, while in 1928, with twice the number of operating firms, the percentage handling from 5 to 25 stores had decreased to 62.3 per cent. As this percentage decreases the need for better organization increases, because of the additional number of large-size businesses.

The problems of distribution, particularly those which deal with the selling and physical handling of goods, may be visualized by the chart shown on the next page. This chart compares the regular wholesale-retail method with that of the chain store. It is assumed in this case that each independent retailer purchases from at least four wholesale firms and that each wholesaler is handling a complete line of goods. From this it would be inferred that each wholesaler secured about one-fourth of the purchases of each establishment. The chart shows that for the same volume of trade for each method of distribution there is considerable overlapping. The manufacturer's salesman must call more frequently and it should be noticed also, that each wholesaler is selling each of the dealers. This causes a certain amount of overlapping of sales effort and duplicate delivery in handling merchandise. These difficulties are not entirely eliminated in the case of the chain-store company. They are reduced, however, to the minimum, as Chart No. 4 on page 48 indicates.

Growth of Individual Chain-Companies

Before endeavoring to show the rapid rise of individual chain companies and the total increase of chain stores up to the present time, another aspect of the chain movement may be viewed by noting the time when many of the present grocery companies were organized. While it has been impossible to secure the history of many chain companies, certain facts have been ob-



THE GRAPHIC PRESENTATION OF SELLING & DELIVERY ACTIVITIES
OF WHOLESALE & INDEPENDENT RETAILERS COMPARED WITH
THE CHAIN STORE COMPANIES

CHART NO. 4

This chart has been made to enable us to visualize the competitive situation that exists between the wholesale dealers and chain-grocery companies. It is assumed that each retailer buys from an average of four wholesalers. The number of retail outlets has been decided upon by taking the average number of stores assigned to a chain-store supervisor. It should be noted that there would be a great many more independent retailers buying from the four wholesalers indicated in the chart.

tained from representative organizations.[16] In order to visualize fully the time when the greatest number of chain stores was started, it is necessary to list the companies within given periods. All companies organized prior to 1900 have been grouped together. One of these companies was begun as early as 1859.[17] The distribution and rate of growth is indicated in Table No. 7 as follows:

TABLE NO. 7

THE NUMBER OF CHAIN-GROCERY COMPANIES OPERATING 5 OR MORE STORES[18]

YEARS	NUMBER OF COMPANIES ORGANIZED DURING EACH PERIOD	TOTAL (CUMULATIVE)	GROWTH OF COMPANIES (INDEX NUMBER)
Prior to 1900 ..	8	8	100.0
1900–1905.....	5	13	162.5
1906–1910.....	10	23	176.9
1911–1915.....	9	32	131.3
1916–1920.....	19	51	159.4
1921–1925.....	11	62	121.6

From the above figures and Chart No. 5 on page 51, it appears that the chain-grocery-store business was well under way by the opening of the Twentieth Century. About eight per cent of the present companies was organized prior to 1900. The success of these leaders in the new retail movement apparently gave impetus for a gradual increase in the number of establishments. From 1900 to 1910 there was an increase of nearly 200 per cent in the number of companies compared to the total prior to 1900. The tendency toward the same growth in percentage increase did not take place during the period from 1911–15. There was an actual decrease in the number of newly organized companies. This may partly be explained by the business depression of 1913

[16] It has been impossible to secure the facts regarding the history of all companies. Those included in this tabulation are located largely in the eastern part of the country. However, several companies are located in the southern, the middle western, and the Pacific Coast states. Five of the largest companies are included in the study.

[17] The Great Atlantic and Pacific Tea Company.

[18] Each period is figured independent of the previous one.

and the uncertainty that existed at the outbreak of the World War (1914). The next significant change took place from 1916-20. While the actual number of new companies was greater than during any other five-year period, the percentage increase was not as great as those of 1900–05 and 1906–10 respectively.

If the facts used in this analysis are representative for the entire trade, then it is possible to state, of all the chain-grocery companies now operating, approximately one-third of them were organized during the five-year period just prior to and after the close of the World War. Of the nineteen companies listed during this five-year interval, twelve were organized in 1918, 1919, and 1920. Since that time the number of new companies for an equal period of time has decreased. The total number, however, is greater than any pre-war period. It should be noted, by referring to the preceding table, that the number of new companies has doubled since 1916. This fact is worthy of serious reflection.

From a competitive point of view, the grocery trade was faced with practically a revolution in the conduct of retailing. While chain-grocery companies had been organized and had been developing since the last quarter of the nineteenth century to 1915, it was a gigantic upheaval, comparatively speaking, when the number of companies being operated doubled between 1915 and 1925. This appears to be an unprecedented change in retail merchandising. With this increase in the number of new chain companies, it appears that it would be necessary for both the old and new companies to be properly managed. However, the development from 1916 to 1920 was more extensive than intensive. Since 1925 the chain growth has been due to intensive cultivation of the territory. Progress in this direction is only possible through the ability to operate more efficiently. In order that a business may be capably conducted, proper organization is absolutely essential. Competition during this latter period was as much between chains, themselves, as it was between chains and independent dealers.

Time of Chain-Store Growth

The growth of the chain-store field has been shown by comparing the various periods with the increase in the number of

companies as well as with the relative size of the companies since 1920. It is now necessary to show the actual increase of stores.

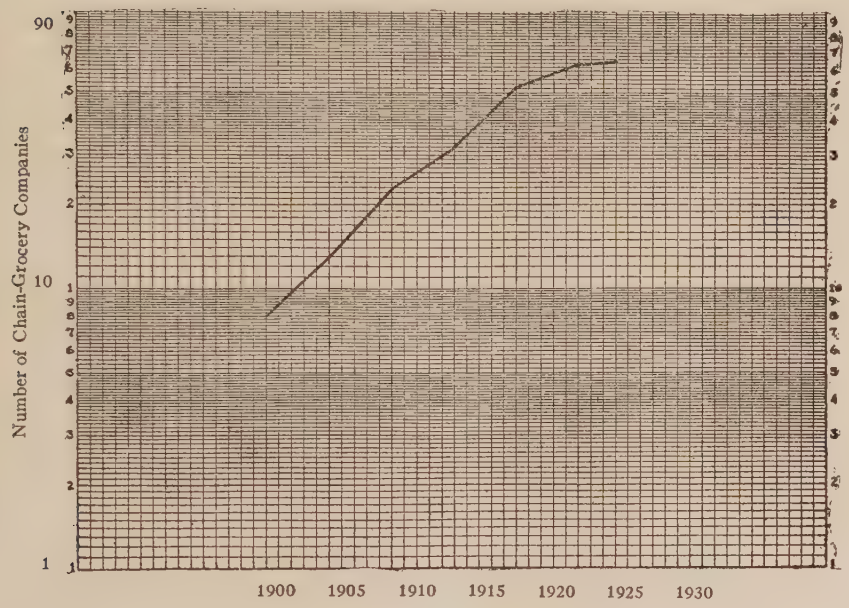


CHART NO. 5

LOGARITHMIC CHART SHOWING THE RATE OF INCREASE IN THE NUMBER OF CHAIN-GROCERY COMPANIES

Data were gathered largely by means of personal interview and questionnaire regarding the historical development of representative firms.[19] These historical facts were first distributed according to the period of their inception. All companies that were organized up to 1900 are listed together in the first group. Those that were founded from 1901–1905 are placed in the second group. This procedure is followed for each succeeding five-year period, except the last, which covers the period from 1926 to 1928 inclusive. The number of companies represented in each of the periods, for which there are comparable figures, are as follows: up to 1900, 7; 1901–05, 4; 1906–10, 10; 1911–15, 8; 1916–20,

[19] A copy of the questionnaire, which was used in gathering data regarding the historical aspects of this study as well as the organization material, is found in the appendix of this thesis.

17; 1921–25, 12.[20] The cumulative figures for each of these respective groups from 1910 to 1928 by five-year periods, are listed in Table No. 8.

The total figures found in the last horizontal column show the chain stores in 1910 and the subsequent development by five-year periods.

TABLE NO. 8

THE NUMBER OF CHAIN-GROCERY-STORES FROM 1910–1928

NUMBER OF COMPANIES	YEARS PERIOD OF ORGANIZATION	NUMBER OF GROCERY STORE UNITS				
		1910	1915	1920	1925	1928
7	To 1900	737	2,474	6,299	17,731	22,625
4	1901–05	71	165	332	772	919
10	1906–10	89	455	988	1,625	1,971
8	1911–15		117	457	1,236	1,708
18	1916–20			458	1,482	3,739
12	1921–25				456	811
Total 59		897	3,211	8,534	23,302	31,773

The question naturally arises, are these facts indicative of the entire trade. It is not possible to prove that the facts, which only represent 59 of the 385 total companies, are in conformity to the increase of the total for the entire trade, because there are no available comparable figures prior to 1920. For the last three periods, however, comparative data have been secured. The comparison, in total figures and index numbers is shown in Table No. 9 on the following page.

The foregoing figures when plotted on a logarithmic chart show the same general trend, as illustrated in Chart No. 6 on page 54. This is sufficient to prove that the growth of the chain-grocery-store field can be plotted according to the facts as represented by the 59 companies. Greater variation occurs during the last three years than from 1920 to 1925, as shown in Chart No. 6. The variation is due to the fact that during the first period the

[20] It was impossible to secure the number of stores being operated by certain companies in 1900 and 1905.

very small companies are not included and that in the later period the new companies have not been added.[22]

TABLE NO. 9

COMPARISON OF CHAIN-GROCERY-STORE GROWTH[21]

YEARS	(CUMULATIVE) NUMBER OF STORES FOR		NUMBER OF STORES (ADDED EACH PERIOD) FOR		COMPARATIVE RATE OF GROWTH (INDEX NOS.)	
	59 COS.	ALL COS.	59 COS.	ALL COS.	59 COS.	ALL COS.
1920.....	8,534	11,591	8,534	10,391	100	100
1925.....	23,302	35,500	14,768	25,109	273.3	306.3
1928.....	31,773	55,574	8,471	20,074	372.3	479.4
Total....			31,773	55,574		

It is now possible to show the growth of the number of chain grocery stores for the country by showing the increased number of stores added during each period. The actual growth is shown by starting the period of 1910 as 100, and making index numbers for each succeeding period. To show the rate of growth for the period it is necessary to have a movable base figure, *i.e.*, the number of stores at the beginning of each five-year period will be represented as 100:

TABLE NO. 10

THE EXTENT OF CHAIN-GROCERY-STORE GROWTH

YEARS	NUMBER OF STORES		GROWTH OF STORES (INDEX NUMBER)
	CUMULATIVE	PERIODIC ADDITIONS	
1910.....	897	897	100.0
1915.....	3,211	2,414	358.0
1920.....	8,534	5,323	259.5
1925.....	23,302	14,768	273.0
1928.....	31,773	8,471	136.3[23]

[21] It should be noted, by comparing the first two vertical columns, which ontain the total number of stores for the 59 companies and for all companies respectively, that the percentage of stores in the companies being studied totals over 50 per cent of the stores.

[22] It should also be stated that the companies, which recently have taken over other companies, have not been included. This was impossible and inadvisable because the historical facts about the merged companies were not available.

[23] This index number is much less than the previous ones because it is based upon a three-year increase.

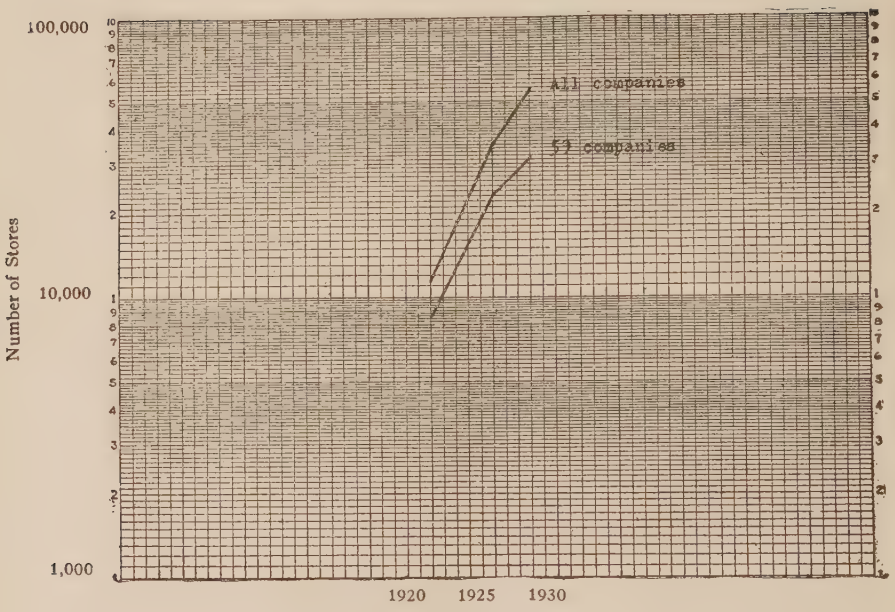


CHART NO. 6

COMPARATIVE LOGARITHMIC CHART OF CHAIN-GROCERY-STORE GROWTH

The percentage increase was greatest during the period from 1910–15. From 1916–20 it was not quite so great. The rate of growth increased slightly during 1921–25 over the previous five-year period. This is easy to visualize by plotting the number of stores on a logarithmic chart, as shown on page 56.

Each of the present large companies had a very gradual growth at first. These companies later showed their experience by the extent of their rapid growth. The gradual accumulation of knowledge on the part of these more mature businesses and the development of an efficient working force permitted them to grow to unprecedented size. The period when the largest number of new chain outlets took place was between 1921 and 1925. The period just preceding this was somewhat less.

The phenomenal growth of chain grocery stores is explainable partly on the basis of the entrance of new companies in the field. The rapid expansion of old and new companies also had its effect. The average size of the new companies at the end of the first and

second operating periods and the percentage increase are illustrated by the following tables:

TABLE NO. 11

GROWTH IN THE AVERAGE NUMBER OF STORES PER CHAIN-GROCERY-STORE COMPANY FROM 1910 TO 1928[24]

NUMBER OF COMPANIES	PERIOD OF ORGANIZATION	AVERAGE SIZE OF CHAINS (NUMBER OF STORES)				
		1910	1915	1920	1925	1928
7.....	To 1900	105	353	900	2,533	3,232
4.....	1901–05	18	41	83	193	230
10.....	1906–10	9	45	99	163	197
8.....	1911–15		15	57	154	214
18.....	1916–20			25	82	208
12.....	1921–25				28	69

TABLE NO. 12

RAPIDITY OF CHAIN-STORE DEVELOPMENT

NUMBER OF COMPANIES CONSIDERED	PERIOD OF COMPANY ORGANIZATION	AVERAGE NUMBER OF STORE UNITS PER COMPANY		PER CENT INCREASE
		AT THE END OF TWO AND A HALF YEARS	AT THE END OF SEVEN AND A HALF YEARS	
4.....	1901–05	7	18	257
0.....	1906–15	9	45	500
18.....	1911–15	15	57	380
18.....	1916–20	25	82	328
12.....	1921–25	28	69	246

The first of the last two tabulations is self-explanatory. It simply shows the average number of stores that each company had at the end of each five-year period. The second table has been

[24] The average size of the seven companies listed in the first horizontal group increased to a greater extent than those listed in the other columns. It must be remembered that all the companies in the first group were organized before 1900. Their early expansion, therefore, took place prior to 1910.

The period of organization for the companies listed in the first vertical column is indicated in Table 12 with the exception of the first group of 7 companies. These companies were organized prior to 1901.

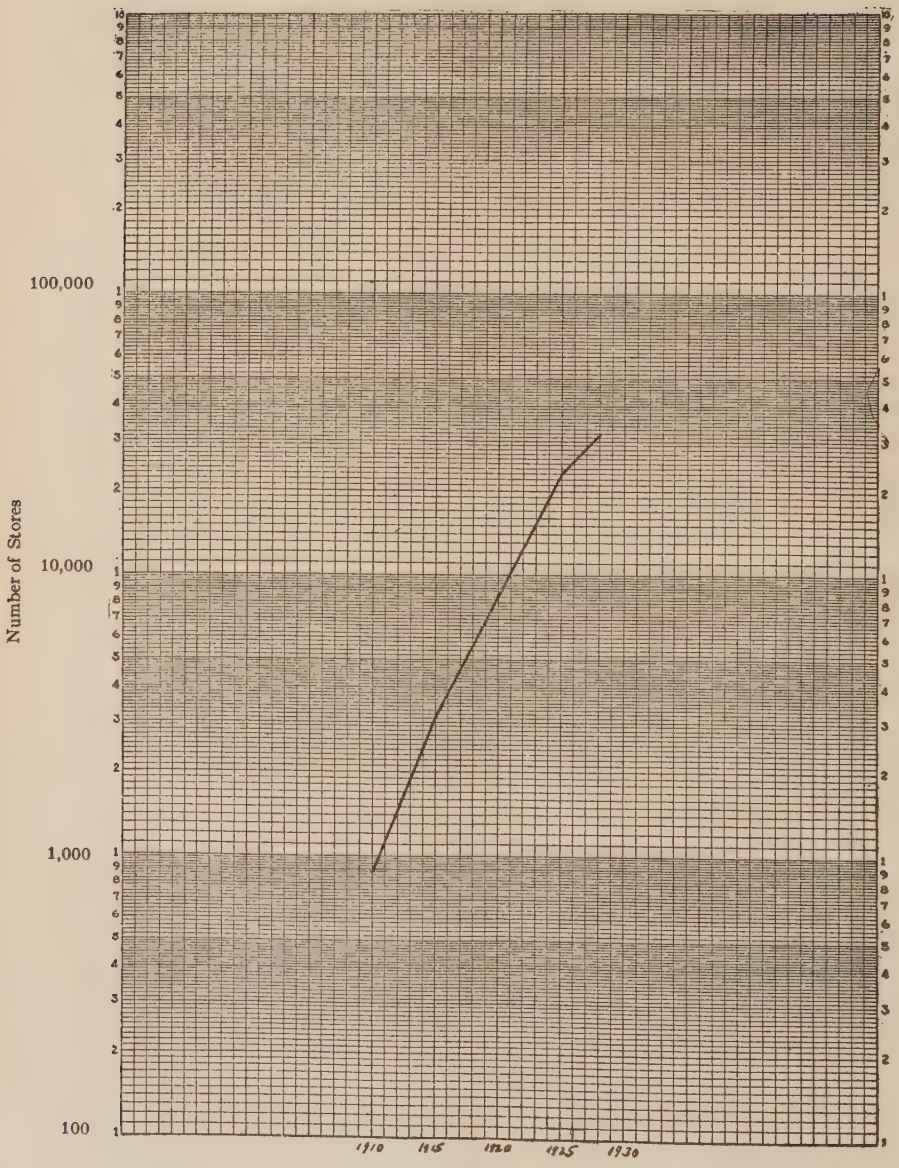


CHART NO. 7

LOGARITHMIC CHART OF CHAIN-GROCERY-STORE GROWTH SINCE 1910

developed in this manner—by placing in a column the average number of stores being operated by each company at the end of their first operating period, against the average number of stores at the end of the second operating period in the adjoining column. These periods correspond to the middle of the respective periods. By comparing these two figures it is possible to indicate the percentage increase. These percentages range from 246 in 1921–25 to 500 per cent in 1906–10. The average increase is 342 per cent.

A more significant factor that should be noticed from this last table is the gradual increase in the size of the average chain company by the end of the first two and a half years of operation. The companies that started between 1921–25 are four times the size of those companies organized between 1901–05. Between these two periods there has been a gradual increase, the number of stores being 9, 15, and 25 respectively. It may be inferred from this that those contemplating entering the retail chain grocery field today must not only be equipped with sufficient financial backing, but must possess a high degree of business sagacity. No longer is it possible, competitively speaking, to start in the retail merchandising field by opening one small store. New retail businesses today must be equipped to embark on a much larger scale. This requires a better knowledge of the organization of the business. To depend upon the energies of one man is inefficient. The long gradual development, at least in certain trades, appears to be a thing of the past.

Sectional Development of Chain-Grocery Stores

There is still the problem of determining the degree of chain development in various parts of the country and in the urban and rural sections. Like the history of industry in the United States, the chain movement was started largely in the eastern section of the country. Particularly is this true in the grocery field. The larger industrial centers seem to be conducive for such a merchandising method. In one study of chain grocery stores in the cities of over 100,000 population in 1927 the following facts may be summarily stated:[25]

[25] Quoted from the *J. Walter Thompson News Bulletin* of September 1927, Page 8. The article, "Chain Stores in the Grocery Business", was written by Paul T. Cherington, who is Director of Research for the J. Walter Thompson Company.

1. The five cities in which more than one-third of all the grocery stores were chain units are as follows:

Boston	39.6	Jersey City	37.4
Cincinnati	33.9	Norfolk	43.3
Cleveland	40.5		

2. The eleven cities having between a quarter and a third of their grocery stores in chain companies are:

Akron	26.9	Pittsburgh	26.5
Canton	29.7	Springfield, Mass	33.0
Columbus, O	31.5	Trenton	26.8
Detroit	30.6	Washington, D. C	35.2
Elizabeth	29.2	Yonkers, N. Y	25.4
Philadelphia	31.5		

3. The following cities have the lowest percentage of chain-grocery stores:

Duluth	4.7	Omaha	3.3
El Paso	3.4	St. Paul	5.7
Fort Worth	7.4	San Antonio	8.5
Houston	8.0	San Francisco	9.4
Kansas City, Kan	6.4	Seattle	6.3
New Orleans	9.3	Spokane	8.4
Oklahoma City	8.6	Utica	9.4

The last fourteen cities are the only ones with less than 10 per cent of their grocery stores belonging to chains. It is worth noting that, with the exception of one of these (Utica), three of the cities are in the Pacific Coast territory, four are in the farther middle west and the remaining six are in the south. Territorially, therefore, it is possible to make the statement that chain stores have had their greatest development in the New England States, the Middle-Atlantic States, and the North-Central States. The more recent development has included the states bordering on the Mississippi, the Rocky Mountain States, the Pacific Coast Section, and the South and Southwest Districts.

In the 78 cities which were covered by the aforementioned

study, 21.5 per cent of all grocery stores belong to chains. This means that a much larger percentage of the total business than this is done by these chain stores, since their volume averages higher than that of the independent stores.

In the government's survey of retail trade in 11 metropolitan cities, the percentage of chain grocery stores to all grocery stores was 21 per cent, while the percentage of total grocery sales volume amounted to 41 per cent.[26] While the total chain volume of the grocery business ranges from one-third to one-half in the urban sections of the country, it has been estimated that the chain grocery stores are doing approximately one-third of all the business in the country.[27]

It is now possible to visualize the gradual change that has taken place in the field of retail groceries. The advance of chain stores was very meagre and quite gradual prior to 1900. From 1900 to 1910 the growth, in terms of the number of companies and new stores, was somewhat greater than the preceding periods, but not phenomenal. Since 1910, however, the change has been so rapid and far-reaching that it may be characterized as a "merchandising revolution". The period of most rapid advance took place between 1920–25. Since that time, although the number of new store units has increased, the percentage of growth has decreased. Within the last three years, mergers and consolidations have proceeded in rapid succession. Problems of reorganization and better management have been facing some of the chain companies.

All large establishments must be vitally interested in the organization of the business. Their future growth and their profit-making ability are dependent upon it. Since management or organization problems specifically are vital issues facing the new order of retail merchandising in the form of chain stores, and since the chain-grocery-store companies represent the largest and one of the oldest chain trades, an analytical and comparative study of their organization becomes a decided necessity.

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[26] Quoted from the Census of Distribution which was prepared by the Domestic Distribution Department of the Chamber of Commerce of the United States, Washington, D. C., May 1928.

[27] Dartnell Market Analysis—Chain Store Statistics.

III

Form of Chain-Grocery-Store Companies

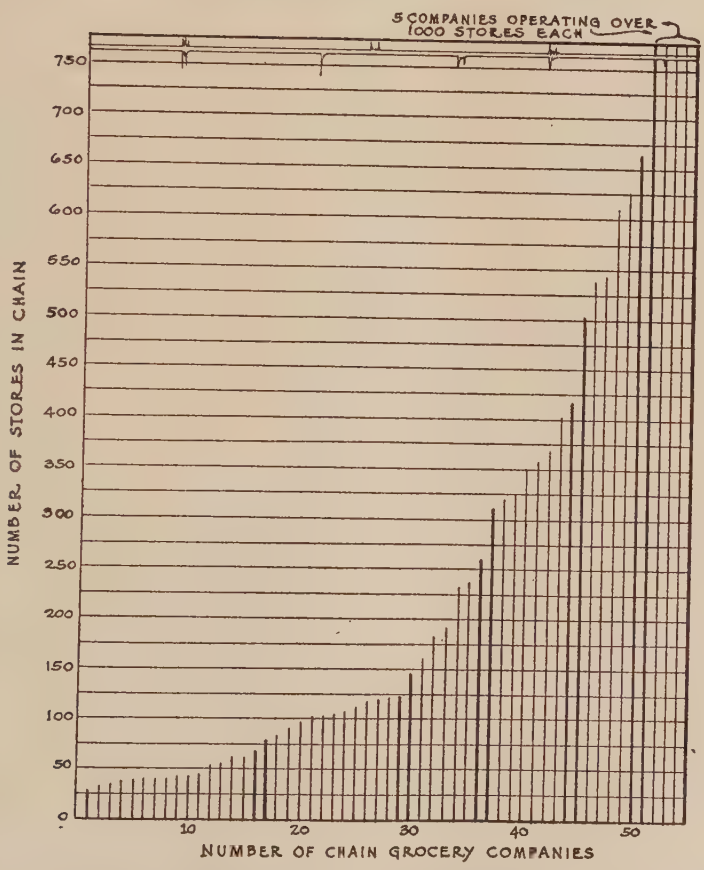
Up to this point we have considered the principles of organization, the economic principles applicable to this study and the facts concerning the growth of chain grocery companies. In the last chapter we saw how the chain companies have grown in size and how rapid their growth has been. With the increased number of companies entering the field and with the increased number of stores being operated by most of the firms, the need for organization has been made more apparent. In this chapter we shall set forth the actual organization data of the respective chain companies. This will be done in most cases by making composite charts for each group of concerns according to the number of stores being operated by each one. With each chart there will be explanations regarding the duties and activities of each executive. Comparisons between the composite charts, as well as comparison between the individual companies within each group, also will be made.

The Number of Companies Included in Study

Before proceeding with the organization data it is necessary to arrange the companies for which information is available into groups and to compare these groups with the total number of companies of similar size. By this comparison it will be possible to indicate the percentage of the firms represented in this research with the total known companies. Because of the nature of this research it is desirable to have a higher percentage of the larger companies. In order to make this comparison and set forth the percentages it is requisite first to rearrange the chain-store groupings that were used in Chapter II.

So far all chain companies have been arranged upon the basis of equal intervals, *i.e.*, 5–25 stores, 26–50 stores, etc. To rearrange the companies into homogeneous groups, the method of equal class intervals is likely to be too arbitrary for this phase of the study. To overcome this objection, the companies are listed first

according to the number of stores, *i.e.*, from the smallest to the largest. By such an arrangement, it is possible to select homogeneous groups. The selection of an even number of small and an even number of large companies is not scientific; neither is the selection of the companies in any fixed groupings the best method.



HISTOGRAM SHOWING DISTRIBUTION OF CHAIN GROCERY COMPANIES ACCORDING TO NUMBER OF STORE UNITS PER CHAIN.

CHART NO. 8

In other words, groupings cannot be determined arbitrarily. For this reason, the best procedure is to visualize the size of the companies by means of a histogram, which is shown on page 61.[1]

Even though this histogram makes a rather even curve, there are definite breaks which become the basis of dividing the firms for the purpose of analyzing their organization. It is desirable to have a sufficient number of firms in each group. In this study, because of the limited number of large companies, there is a wide range in the number of stores being operated by the respective firms of any one group. Even though this condition exists, it would be inadvisable, for the purposes of this study, to reduce the size of the groupings. The criteria, therefore, upon which the companies have been grouped may be summarily stated thus:

1. Wherever there has been a wide variation in the size of two companies that are adjacent to each other, when they are listed according to their size, a new grouping of companies has been formed, providing further—
2. That the number of companies listed in the first grouping is sufficient to warrant scientific analysis of their methods and that each succeeding group has a sufficient number that may be so analyzed.

Upon this basis the groupings listed in Table No. 13 on page 63 have been developed.

While the number of companies represented in the first two groups is much greater than in the last four groups, there is no special reason why they should be further sub-divided. The difference between the smallest and the largest company in the first group is only thirty-eight stores. No gain would accrue by splitting this group any further and considering such a limited variation in the size of the respective companies. Similar reasoning holds true for the second group. Starting with the third group the number of companies is appreciably reduced. The reason for this diminution was mentioned in the previous paragraph. To combine any of the smaller groups would expand too greatly the range of the number of stores within such groups. As it is, the number of stores in the smaller companies compared with the

[1] Although the histogram also includes the companies operating over a thousand stores, their size is only partially shown. These companies range in size from 1,100 to over 16,000 stores.

larger ones, *i.e.*, groups 3, 4, and 5, respectively, range from 107 to 161. Any reduction in the range would be to the detriment of the size of the group.

TABLE NO. 13

THE NUMBER, SIZE, AND RANGE OF CHAIN-GROCERY COMPANIES IN EACH GROUP

GROUP	NUMBER OF COMPANIES COLUMN 1	SIZE OF CHAINS (NUMBER OF STORES)	RANGE (NUMBER OF STORES)
1	16	26– 64	38
2	13	79–121	42
3	7	147–262	115
4	8	310–417	107
5	6	501–662	161
6	5	Over 1000	

TABLE NO. 14

COMPARISON OF TOTAL NUMBER OF CHAIN-GROCERY COMPANIES WITH THOSE INCLUDED IN THIS RESEARCH

GROUP	SIZE OF CHAINS (NO. OF STORES)	NUMBER OF COMPANIES		PER CENT (COL. II OF COL. I)
		TOTAL COMPANIES COL. 1	COMPANIES INCLUDED IN STUDY COL. II	
1	26– 78	53	16	30.2
2	79–146	47	13	27.6
3	147–309	21	7	33.3
4	310–500	8	8	100.
5	501–700	7	6	85.7
6	Over 1000	9	5	55.6

It is now possible to compare the number of companies included in this research with the total number of chain stores concerned. For purposes of this comparison it has been necessary to determine the distribution of all concerns according to their sizes as indicated in the last table. The distribution of the 145 chain grocery companies and those for which data have been secured is indicated in Table No. 14 on page 63. The percentage of the various sized companies ranges from twenty-seven per cent in the case of one group, to one hundred per cent in the case of those

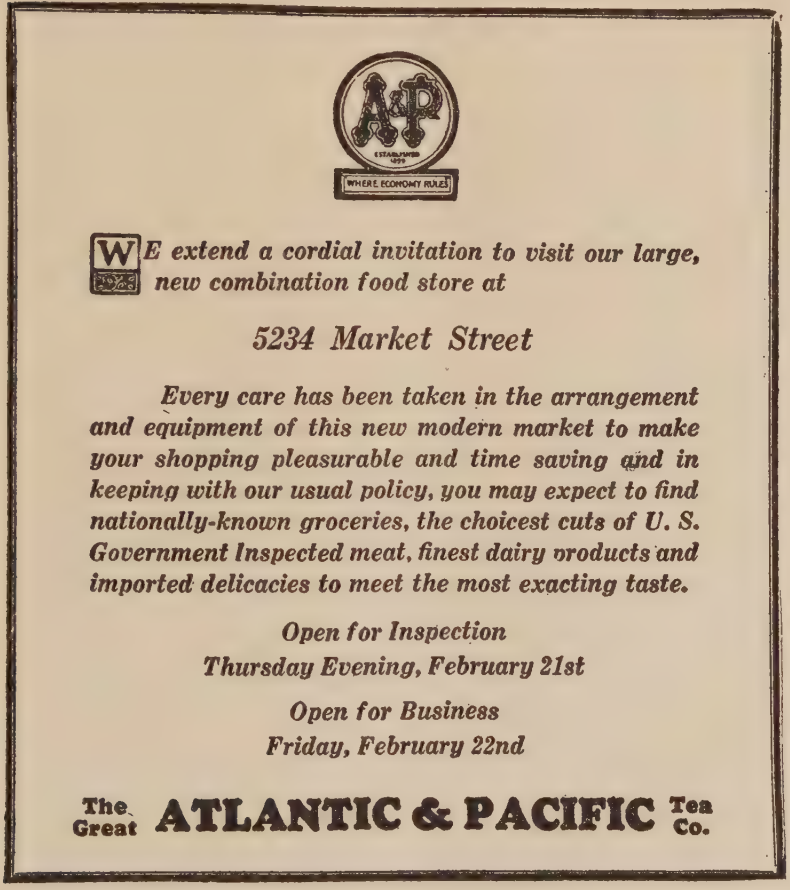
operating from three hundred and one to five hundred stores. The per cent of all companies operating over twenty-five stores compared with the total for the country is approximately thirty-eight. When the companies included in groups 3, 4, 5, and 6, are compared to the total, the percentage increases to over fifty-seven. Since the value of this study depends upon the number of large retailers that cooperate, the latter percentage is of greater significance than the former.

Chain-Grocery-Store Policies

Before presenting the organization charts for the respective groups of companies, certain matters dealing with the policy of the chains should be presented. The most important factor is that which relates to the lines of merchandise being sold. Ten years ago very few of the grocery chains were handling anything else but what is usually considered staple groceries. Today these same stores are handling additional merchandise lines. All but five of the companies studied now are handling fresh fruits and vegetables. Practically all grocery stores previously had been handling such items as potatoes, onions, oranges and lemons. Within the last two or three years, however, a more complete line of fruits and vegetables has been added to the line. Many of the chains are handling a complete line of produce. Many companies carry a complete list of items in some stores and a limited variety in others, depending upon the location of the stores, their size and the competition with specialized fruit and vegetable stores.

Another significant change in the policy of chain stores has been the addition of fresh meats. Many chain grocery stores have been remodeled to handle a complete line of fresh meats and allied products to supplement the grocery business. This has brought about a greater productiveness of available store space. Approximately forty per cent of the chain-grocery companies considered in this study have entered this field. Those that handle fresh meats, with few exceptions, are not carrying them in every store. Again it depends upon the location of the store, the trading area of the store, and the extent of competition with independent meat shops. The number of such stores, however,

is growing at a rapid rate. Stores handling meats, fresh fruits, and vegetables, as well as a complete line of groceries, are usually known as combination grocery stores. Indicative of this development, the following advertisement which recently appeared in a large daily paper is reproduced on page 65.[2]


A&P
ESTABLISHED 1859
WHERE ECONOMY RULES
WE extend a cordial invitation to visit our large, new combination food store at
5234 Market Street
Every care has been taken in the arrangement and equipment of this new modern market to make your shopping pleasurable and time saving and in keeping with our usual policy, you may expect to find nationally-known groceries, the choicest cuts of U. S. Government Inspected meat, finest dairy products and imported delicacies to meet the most exacting taste.
Open for Inspection
Thursday Evening, February 21st
Open for Business
Friday, February 22nd
The Great ATLANTIC & PACIFIC Tea Co.

This advance, of adding additional lines of merchandise, has led to the development of stores of much larger size than those

[2] This advertisement appeared in *The Philadelphia Inquirer* on Thursday, February 21, 1929, p. 4.

formerly operated by the chain establishments. The very latest project has been to open large combination stores in important retail shopping districts. These stores are so large, and handling such a complete line of food products, that only the term "market" can begin adequately to describe them. Many of these large stores are handling a complete delicatessen line. Sufficient space usually is available to have a large fruit and vegetable department. Through the study of this policy of integration from the organization viewpoint with regard to the satisfaction of man's gastronomic desires we find a complete change has been brought about. Some of the companies are operating, therefore, various kinds of stores, *i.e.*, grocery stores, meat stores, combination stores, and markets. These changes in policies must be borne in mind when studying the organization of the companies.

Composite Organization Charts

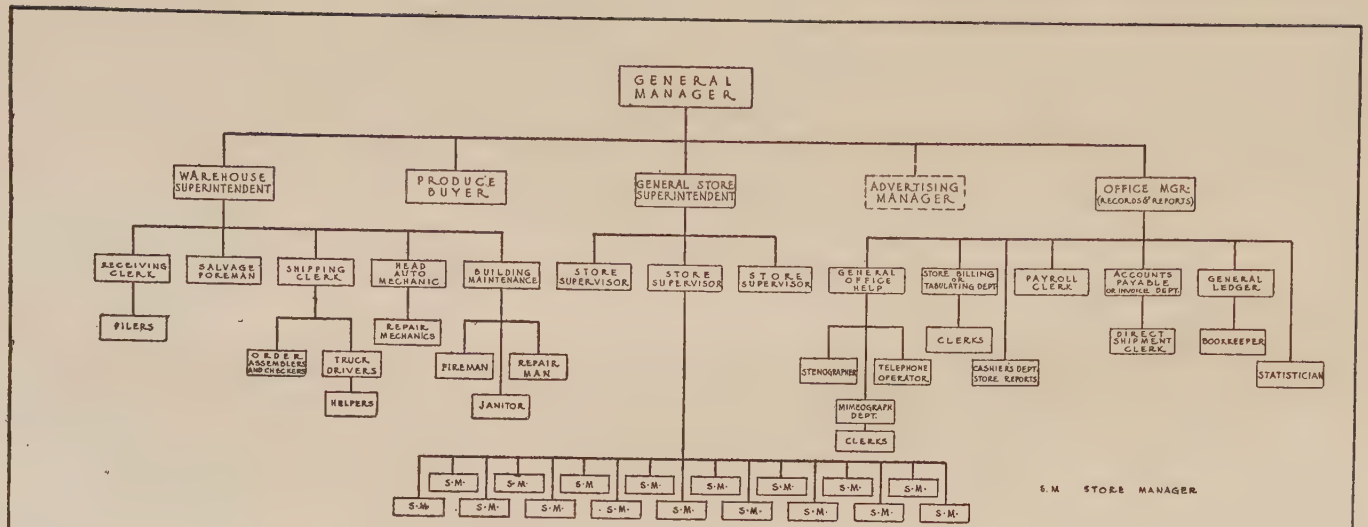
Group Number 1.[3]

The organization chart of the first group of companies has been developed by including all the common organization features of the business represented.[4] These common features were arrived at by examining each firm's organization chart and instructions. The writer was able, by having all the charts before him, to compare each company, one with the other. Whenever there existed a similar organization plan for a particular function, this became the form that was used. In some cases mere observation only was necessary. In other cases, a tabulation of the method in which each company performed the particular function in question became necessary. Based on this procedure the chart on page 67 is representative of all companies operating from 26 to 64 stores.

As far as possible, all blocks in the chart are filled in by naming the position of the person in charge. Each position represents some individual or individuals. In certain cases the name of the function in place of the position will be found. This was thought to be advisable where the positions were of minor importance. In

[3] All charts are read from left to right and comparisons made in the same way.

[4] Chart No. 9, p. 67.



COMPOSITE ORGANIZATION CHART FOR GROUP NO. 1

SIZE OF CHAINS 28 - 84 STORES

CHART NO. 9

these cases the positions have been listed under a common functional heading. This is illustrated in the chart by the function of building maintenance which is listed under the warehouse superintendent. In cases where the position fails to indicate the nature of the function being performed, this plan must also be used.

Terminology, as has been stated on more than one occasion, plays a very important part in this research. The exercise of a careful discrimination in selecting terms, was an essential in the construction of the composite charts. Under these conditions, it is advisable to use the accepted terminology. Unfortunately, however, there is no absolute uniformity. In order to make the charts understandable, the name of the position is used whenever it describes the nature of the function to be performed. Thus the name of warehouse superintendent not only stands for one executive position, but indicates one of the main functional aspects of the business. Because of the greater familiarity with the names of the positions as contrasted with the functional terminology by this method there should arise less ambiguity in the minds of those engaged in the trade.

A full understanding of the function to be performed and of the responsibility to be assumed is not conveyed by the composite chart. This is true in the case of the head executive or general manager. The general manager in businesses of this size performs several functions in addition to being responsible for their successful operation. The duty of buying is one of the main activities for which he is responsible.[5] Briefly the general manager makes all commitments for new lines of merchandise. He would, of course, be responsible for re-ordering and discontinuing any commodity.

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[5] The term general manager is used in the chart synonymously with the term "Head Executive". Many general managers have the corporate title of president or vice-president. Many full titles are president and general manager. In a similar way it is not infrequent to find the general store superintendent carrying a title of vice-president, and the office manager being the secretary and treasurer of the corporation. Since corporate titles sometimes are given to non-operating owners of the business and the fact that they do not convey a clear idea of the functional responsibility, they have been omitted in the majority of the composite charts.

Another function for which he is administratively responsible is that of advertising. The special articles for advertisement by chain organizations of the size being discussed frequently are the result of a decision made by the general manager in consultation with the general store superintendent. In the case of produce prices, the specials are determined by the buyer. The actual copy for the newspaper announcements, as well as other advertising media, usually is written by the head executive. It must be remembered that chain grocery store advertising consists largely of listing grocery and allied merchandise with their respective prices.

While the aforementioned practice is general in the trade regarding the responsibility for this function, it is not universal. One of the companies studied makes use of an advertising agency. Three of the companies have a person who is definitely delegated for this duty. Because of this reason, a block in the organization chart has been added in dash lines. That is to indicate that a few companies have an advertising manager.[6]

There is one other important duty which also is assumed by the general manager, namely:—that of real estate official. He usually has charge of the selection of all new store locations, the renewal of leases, and the supervision of the construction work of all new stores. The actual work of remodeling store structures and installing store equipment is delegated normally to the company's own construction crew or to an outside firm. The latter procedure is employed by many of the smaller establishments. Each store supervisor is supposed to report all desirable store locations, whether vacant or not, to his immediate superior. The latter will make personal investigation of such desirable sites and later will report them to the general manager. By this method, the general manager only has to consider the most advantageous places for possible expansion.

However, this course is not always pursued; there may be variations from this procedure. Another company has a real

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[6] An organization chart block in small dash lines indicates in this and all the following charts, positions and functions that are frequently used, but not common to all businesses.

estate manager. He is one of the main executives who reports directly to the general manager. Since this happens to be a branch of a large company, and expansion is rapidly developing, the real estate man gives his entire time to the selection of new locations and to adjusting leases. In this connection part of his time must be spent in overseeing the work done by the store construction and fixture department.

An examination of the individual charts with the composite chart shows that certain activities have been omitted. These omissions were made because they were not common to all firms. They were the result of individual differences of policy. However, before proceeding to the next group of companies, it may be desirable to mention the most significant organization differences. Three of the sixteen companies carry on certain packing and manufacturing activities. In one case the executive is responsible directly to the general manager. In the remaining two cases, the men in charge report to the warehouse superintendent. In one of the firms, the superintendent of manufacturing and packing has charge of the following activities: bacon slicing, mayonnaise department, butter cutting, candy wrapping, coffee roasting, tea blending, and bakery department. The other concerns confine their manufacturing activities to packing such articles as dried beans, dried fruit, and other bulk goods.

A few of the smaller companies are now operating combination stores. This has necessitated the employment of a head meat buyer. Where this policy is pursued, the meat buyer is also head superintendent of the meat managers. Supervisors who call on stores having meat departments must not only report conditions regarding this division of the business to the general store superintendent, but also to the executive in charge of meat purchases. Two companies operating combination stores have first developed meat stores and then added grocery departments rather than vice versa.

The problem of employment is handled by the respective departmental heads in this first group of companies. It is only in the function of store operation that employment and personnel work are of some import. The field organization, which includes managers, assistants and clerks, represents the greatest percent-

age of the entire personnel of the chains. For this reason, the problem of hiring, training, and maintaining an efficient working force is very important. Supervisors, as well as the general store superintendent, must devote a certain amount of their time to matters of personnel. Not only the problem of promotions arises, but the hiring of new managers in accordance with the program of store expansion. In the majority of the cases, the line of promotion is,—from clerk to assistant store manager, and then to store manager. Progressive store managers who display qualities of leadership and administrative capacity are promoted to supervisors whenever vacancies occur.

The sales function of the smaller companies is divided between two or three major executives. The major responsibility is placed upon the general store superintendent. He is supposed to bring in sales-results with the assistance of supervisors. When it is assumed that the stores are scientifically located and that the proper merchandise is available, then it is up to the store managers efficiently to serve their respective communities. Store layout, window and interior display, cleanliness, and general sales ability are factors for which they are held responsible. It is the duty of the supervisors to check on all these matters. Supervisors also must see that the managers make their daily deposits and fill out all store reports and requisitions. In the smaller concerns, it is usual for the supervisors to assist in taking store inventories.

Group No. 2.

In the second group of companies we are dealing with chain grocery companies which are operating from seventy-nine to one hundred and twenty-one stores. If we assume that each store did a business of $500 a week and that one hundred stores constitute the chain, then the annual sales volume would total over two and a half million dollars a year for each company. This fact enables one to visualize and compare the size of the companies now to be discussed from an organization point of view.

Since the method of developing the composite charts was explained in connection with the previous group of companies, repetition is unnecessary. Using the same method, the second

composite chart has been developed.[7] Summarily, it may be stated that the general plan of organization was quite similar for companies averaging about one hundred stores. There was a high degree of similarity in each of them. This means that the composite chart and each of the individual company charts are very much the same.

It is now desirable to compare the functional aspects fo the present composite chart with that of the first group of companies. Beginning with the warehouse function, it will be noted that the smaller companies were not engaged in packing or manufacturing. The larger companies do their own roasting of coffee, egg candling, and packaging of bulk goods. This variation, as well as many others, is explainable on the basis of the size of the businesses. The other warehouse activities are practically the same. Accordingly, the number of employees would be greater. There would be more order assemblers, truck drivers and helpers, and auto mechanics.

In comparing the buying functions of these two charts, we see that the larger concerns have three to four specialized buyers, while the companies operating from twenty-six to sixty-four stores have but one in addition to the general manager. The larger companies have a head grocery buyer. Usually his duty is to buy all new articles and merchandise and to contract for large-quantity purchases. His assistant does all routine ordering on staple items. This latter work is practically automatic, particularly if the business operates a perpetual stock inventory of warehouse commodities. The development of a specialized buyer for butter, eggs, cheese, and allied items is logical, when it is considered that most of these items are quite speculative in so far as there are frequent price changes. Unless one continually studies the conditions of the market and exercises care about commitments, a loss of money on these transactions can very easily occur.

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[7] See Chart No. 10 on page 82. The form of the organization charts has been made the same in order to compare each one of them and to show the various functional aspects or degrees of specialization. In the case of the majority of companies included in groups 1, 2, and 3, the staff feature does not exist. The major line executives report to the general manager; there being no staff form of organization, composite charts 1, 2, and 3 may best be explained as the "Line" or "Military" type.

Somewhat similar conditions hold true in the case of produce. In this instance it is not only essential to know the price changes, but, because of the perishable nature of produce, one must consider the varieties and quantities to buy.

The function of store management and control is carried on in the same manner in the first three groups of companies. They vary only in the number of supervisors and store managers. The larger companies have, on the average, about seven store supervisors. The number of stores assigned to supervisors is determined largely by the geographic area to be covered. When the area is large, an average of ten stores seems to be the rule. In a congested city section, as many as twenty-one stores will be assigned to each supervisor. Thus an average of seventeen stores to each supervisor is found in the larger companies. For all the companies, the arithmetical average is about fifteen for each, while the mode is seventeen.

Some of the chain companies, when they reach approximately one hundred stores in size, operate their own bakeries. Apparently these bakeries are operated upon a profitable basis if the facts gathered from the second group of companies are representative. While this seems quite possible as indicated on the chart in dotted lines, the majority of the concerns prefer to buy their bread from an outside concern. The decision on this question is based, no doubt, upon the existing conditions. Where large bakeries and many independent bake shops exist within the section and properly meeting the needs, a company-owned bakery undoubtedly acts as a deterrent to the chain.

The advertising function is not carried on by a separate man in the organization of the second group of companies. A few of the businesses do have a man in charge of advertising. In the majority of cases, the price changes and specials are determined by the general manager. Frequently they are decided upon in conference with the buyers and general store superintendent. The advertising copy is written by the general manager, therefore all newspaper and other media details are in his hands.

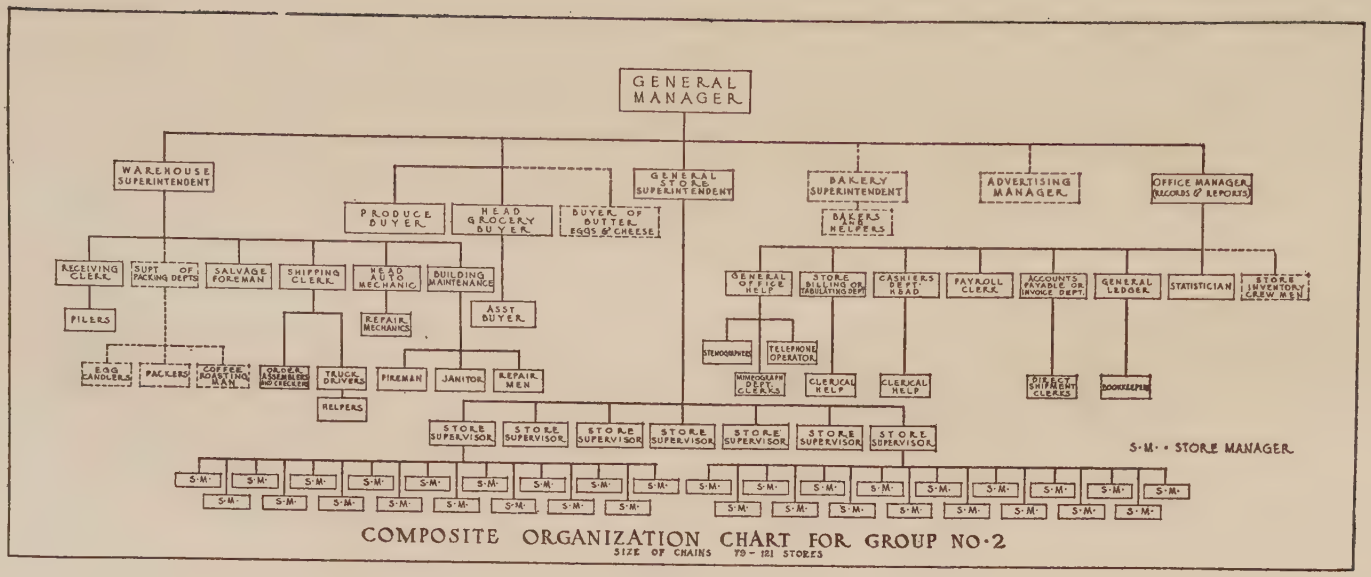
Practically no difference in the plan of organization for conducting the function of records and reports is found between the first and second group of companies. The one exception is that of

the store-inventory crew men. Some of the companies take the monthly or other periodic inventories by means of an independent crew of two or three men. In most cases, these men are responsible to the office manager. Every day they go from one store to another taking a physical count of the merchandise. By pursuing this plan, the companies have an unbiased check on the store stock. Without such a record, it would be impossible to figure the gross and net operating profit of the stores. This plan of having an inventory crew is used also by a few concerns in the second group, but the majority in both groups have their inventories taken by the regular store supervisors.

While the composite chart shows how the majority of the companies have divided the functions among various main and subsidiary executives, mention should be made of variations. According to the composite chart it is assumed that the general manager or head executive gives the final decision regarding the selection and leasing of all new locations. A few of the companies differ in this matter. When they do, the responsibility for selecting store sites is delegated to the general store superintendent. Closely allied to this problem is that of store construction. Although most of the firms of the size now being discussed do not have store construction crews, there are exceptions. Four of the thirteen companies studied have a crew of carpenters, painters, and electricians who make alterations to stores and see that the store fixtures are installed. Two of the four companies have the head construction crew man report to the general store superintendent; in the other cases, he reports directly to the chief executive of the business. This latter seems quite logical on the basis that the general manager most frequently gives the decision in the location of all new stores.

Group No. 3

The third group of companies to be considered consists of those operating from one hundred and forty-seven to two hundred and sixty-two stores. Although this group is small, containing only seven companies, there is considerable difference in their size. The businesses represented in this third, and the next, the fourth group, may be characterized as large. Those in the former two



COMPOSITE ORGANIZATION CHART FOR GROUP NO·2

SIZE OF CHAINS 70 - 121 STORES

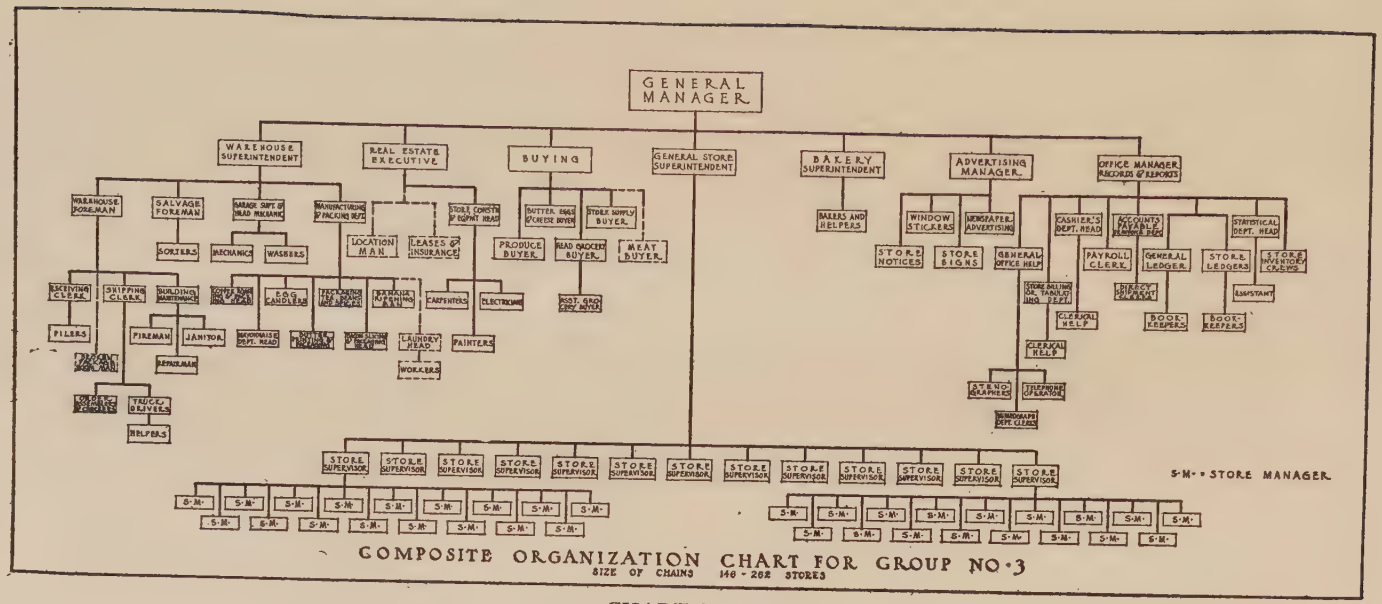
CHART NO. 10

groups may be classified as small-sized and medium-sized firms, respectively. Those in the fifth group are very large. The companies operating over 1,000 stores, which is the sixth group, may be classed as master businesses for the lack of a better term. This term is not a misnomer when we remember that one of the chain grocery store companies is the largest retail establishment in the country and probably the world. It is well to realize, therefore, that the companies discussed in this group and those to follow are operating on a large scale.

The plan of first comparing the organization variations of the composite chart of the third group of firms with those of the preceding composite chart, as was done in the case of the second group, shall be continued for this and the following groups. The variations in organization between the composite chart and the individual companies will then be discussed. By this procedure, it will be possible to visualize each particular group, and upon completion of the facts definite conclusions may be drawn.

The composite chart for the seven companies of this group appears on page 77. We shall first compare the warehouse function. There is considerable variation in this chart as contrasted with the preceding one. Briefly, the four main executives reporting to the warehouse superintendent are—warehouse foreman, salvage foreman, garage superintendent, and manufacturing and packaging department head. It should be noticed that the warehouse foreman has charge of the receiving and shipping of merchandise and the care of the buildings. In the composite chart of the second group it will be seen that these minor executives reported directly to the warehouse superintendent.

There is one other operation that is being performed by a separate individual which needs explanation. This is the broken-package room. This operation is indicated on the chart by dotted lines to show that this department is frequently maintained, but not by the majority of the companies. A broken-package room is a place where store orders are assembled for small quantities of certain items. While the chain stores endeavor to have store managers order by the case or half-case, there are articles which it is advisable to order in smaller quantities. In order that these small orders may be handled expeditiously, a separate room or



COMPOSITE ORGANIZATION CHART FOR GROUP NO·3

SIZE OF CHAINS 146 - 202 STORES

CHART NO. 11

section of the warehouse is assigned for this function. The companies that operate an average of two hundred stores are of sufficient size to have one or two men spend their entire time filling orders where small quantities are desired.

By limiting the merchandise stock in the individual stores it is possible to reduce the space required or permit greater space for additional lines of goods. In either case, the reduction of stock enables the company to operate with smaller capital invested in merchandise. A reduction of store inventory, as a result of the broken-package room, makes it possible to carry fresh merchandise. Slow-selling items on the retail shelves are not conducive to efficient merchandising. Deterioration is likely to depreciate the unsold products. By dividing a case of canned goods between two stores, it is possible to operate with a smaller inventory and yet have attractive and fresh stock. Chain-store operators have learned to economize on store space by shipping the correct quantity of goods from the warehouse. For the slow-selling items, the quantity is reduced by operating the broken-package department.

In the composite chart of the second group of companies there appeared an executive in charge of packaging. In the composite organization chart for the present group of companies it will be noticed that several manufacturing departments have been added, as well as a head laundryman. It seems to be the practice of many of the larger chains to carry on all operations if it can possibly be done economically. The majority of the chain companies buy their butter in bulk and do their own printing. This enables them to pack it in their own trade-marked cartons. Many of the manufacturing, grading, and packaging operations can be conducted by girls. Frequently, these employees become proficient in several different lines. They will be used at certain times for packaging such bulk goods, as,—beans, peas, spices, etc.; and at other times they will be engaged in making, packing, or bottling products, such as,—making mayonnaise, packing peanut butter, and bottling olives.

The next function found in the organization chart is real estate. The executive delegated with the responsibility for this function has charge of selecting new store locations, making changes of

old locations, determining terms of the leases, and matters concerning store construction and equipment. The need for a man to spend his entire time with real estate depends upon the size of the company and its rate of growth. All large chain companies, since most of their stores are leased, have the problem of lease renewals. This frequently calls for an evaluation of the location, particularly if the store has not made a sufficient profit. Since the real estate head is administratively in charge of store construction and equipment, all new and remodeled stores also must finally meet with his approval before they are opened for business.

The buying function has practically remained the same as in the second group. The only addition has been that of a meat buyer. This is not due to a change in the method of organization. It just happens that some of the firms are now handling meats in addition to groceries. Apparently, the increased size of the businesses in this group over those in the preceding one does not affect the buying activities. One would naturally expect to see more specialization of labor. The explanation must be that there are greater quantities purchased, but the number of different objects does not vary. Chain-grocery stores have always operated on the principle of handling only the fast-moving commodities. This fact would offset any tendency toward greater specialization in buying, at least for most of the companies.

There is practically no difference in the plan of organization regarding store management, the operation of the bakery, and advertising. Practically all of the companies in this group are operating their own bakery. They also have their own advertising department. With the increased number of retail outlets, the general store superintendent made a necessary increase in the number of supervisors. As shown in the composite chart, thirteen supervisors were needed. While the number of store managers per supervisor ranges from ten to twenty-one, the mode remains at seventeen. This part of the chart only shows the store managers that report to two of the supervisors. The other store managers have been omitted in order to save space in making up the chart.

The record and report aspect of the business remains practically the same. The inventory crew has been added to the chart by

solid lines. This indicates that the majority of the firms take their periodic store inventories by representatives of the accounting division of the business. While some of the companies make their inventory crew men responsible to the general store superintendent, it appears quite natural that the former plan is more logical. When their allegiance is with the accounting division there is less probability of collusion with store managers and supervisors.

We may turn now and examine the variations from the composite chart of the companies represented in the group. There are no radical variations from the composite. The distribution of functions varies in two cases. This is because of personal qualifications of certain executives. One company has the advertising manager take care of all employment. In the greater number of companies this is in care of the respective departmental officials. This same company has a policy of selling on credit as well as cash. In addition to his duties, the advertising manager has been made responsible for collecting all overdue accounts. Since the majority of charge customers pay weekly and there is a strict credit policy of limiting the purchasing period to not over a month, the need for credit follow-up work is minimized.

Another company, which operates combination stores, has a dual system of store control. The district superintendents or supervisors are responsible to a meat as well as a grocery superintendent. This dual supervisory control is no doubt in force because not all of the stores handle meats. Another variation exists in the case of two concerns that do not have a man in charge of real estate. In this case the general manager, in cooperation with the general store superintendent, decides all matters of store locations and leases. In both cases, the companies have construction crews. The head construction man is responsible to the warehouse superintendent and not to the head executive. This procedure is quite common among the smaller chain grocery companies.

Group Number 4.

The eight companies that make up the fourth group consist of concerns operating from 310 to 417 stores. All but one are han-

dling fresh fruits and vegetables, and four of them are operating combination stores. One of the companies included in this group is located in the Middle-West; another one on the Pacific Coast; and the remainder are operating in the larger cities of the East.

We shall now proceed to point out the variations between the present composite chart and that for group three. The single difference in the warehousing division takes place in the manufacturing and packing departments. The addition of departments for bluing, ammonia, olives, and vinegar has been made. It seems to be the policy of most chain companies to take over certain manufacturing and packing functions just so soon as they are able to perform them economically. The majority of the companies of this size operate their own laundry. Wherever it is possible to buy materials as vinegar and olives, in large containers, the chain companies believe they can render an economic service by bottling these articles themselves. These items, when sold over the counter within a short period after production and packing, are much fresher than when otherwise distributed and, therefore, give greater satisfaction to the consumer. Fresh peanut butter and fresh sliced dried beef and bacon are other products that meet wide favor with chain-store customers.

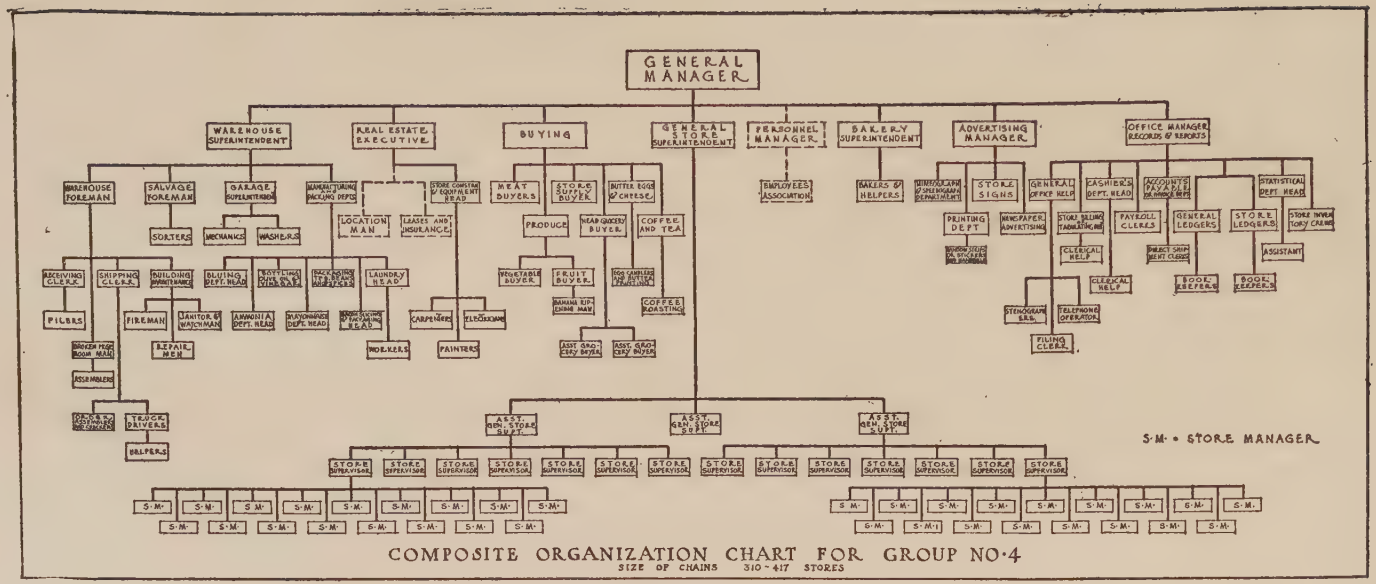
The retail food companies which operate several hundred stores are in a unique position with regard to carrying on certain manufacturing activities. It is economically sound for them to split bulk merchandise into convenient size containers for consumption. By packing merchandise into smaller containers, it is possible to make a more thorough quality analysis of the merchandise being distributed. By this method it is possible also to parcel out goods to the member stores in the most economical quantity. For example, olives and pickles have been sold in retail stores from large barrels in the past, but today, most of the larger chains are selling this type of merchandise in glass bottles and jars. Under these conditions merchandise is more economically handled, easier to display, and more sanitary.

When products are repacked and canned at the warehouse it is possible to maintain more accurate stock control records. When bulk merchandise is sent to the stores there is always the possibility of pilfering and other forms of loss. There is need for

greater care when merchandise must be rehandled at the store. This last fact is very significant because most of the chain companies have endeavored to make the selling problem just as automatic as possible. Merchandise that requires special attention and care has not been conducive to efficient chain-store merchandising. Whenever merchandise can be placed in containers, its value is enhanced as a chain-store item. Canned meats, fish, and other allied items have been a boon to the chain-store operators. It logically follows that these advances have been favorable to the consumer for they make for more economical distribution. The original qualities of products are retained when they are packed in sanitary trade-marked containers. Under such conditions the chain-store companies assume a definite responsibility for the product offered the consumer.

The next operating activity that shows any variation from the previous chart is that of buying. The variations relate to coffee, tea, and staple grocery merchandise. The head grocery buyer has two assistants instead of one. This permits the assistants to confine their interests to more homogeneous groups. The division is very frequently made as follows: The one assistant will buy all staple canned goods. He may buy also bottled goods and dried fruits. The other assistant will purchase extracts, spices, dried beans, peas, and all household articles. This leaves the head buyer free to interview salesmen who have new grocery products. In addition, he makes all arrangements for large purchases and buys such items as flour and sugar. The other change in the buying organization relates to the purhasing of coffee and tea. The purchase of coffee and tea is of sufficient importance, both from the standpoint of sales volume and the specialized ability required, for the work to be delegated to a separate functionary. Under these conditions, it will be noticed, by referring to the chart, that he is held responsible for the roasting of all coffee. In cases where the chain does its own tea blending and packaging, this function would also be under his administrative control.

With the increased number of store outlets in this group of companies as contrasted to the last one, the organization necessary for store control is changed. In place of the store super-



COMPOSITE ORGANIZATION CHART FOR GROUP NO·4

SIZE OF CHAINS 310 - 417 STORES

CHART NO. 12

visors reporting to the head executive in charge of store management, they report to assistants. The entire area covered by any one chain is divided into three parts of approximately equal size. Each of the three territories are assigned to an assistant general store superintendent. This additional subdivision of work and responsibility makes it possible for the company better to control each supervisor. It also permits the general store superintendent to work out the necessary sales plans and attend to symptomatic details. He is in a better position to have more frequent meetings with his field representatives than the small companies are able to hold with the supervisors.

This organization plan is necessary because of the wider territory being covered. Many of the companies in this group operate stores at a distance from fifty to seventy-five miles from the warehouse. Under these circumstances, it is not possible to have the outlying supervisors reporting at the home office every week. To keep them informed of new lines of merchandise, sales contests, and general operating information, it is necessary to send a field representative. This is where the assistant general store superintendent fills an essential gap.

The personnel manager is the next executive indicated in the composite chart.[8] Those who have a personnel manager must see that he works in close cooperation with the general store superintendent, for it is in the field organization, which includes store managers and clerks, that employment problems are most vital. This division of the business represents the largest percentage of the total employees. One company confines the activities of the employment man to matters of store personnel. In this case, all other classes of help are selected, promoted, and discharged by the respective departmental officials.

The balance of the composite chart is practically the same as that developed from the third group of companies. However, there is a slight change in the activities of the advertising manager. The mimeograph, or duplicating service, has been transferred from the line control of the office manager to that of the

[8] This part of the chart is made of dashes instead of solid lines to indicate that the practice is not common.

advertising manager. A printing department has also been added. The printing of store circulars, that are distributed from the stores, is one of the most important advertising media. Special posters announcing price leaders are also printed to be pasted on the store windows. These window strips form a very definite part of the sales-promotional activities of most chain-grocery companies. The man in charge of the printing department is responsible to the advertising manager.

There are few variations from an organization standpoint, between the companies within the group. There is one possible exception. This exception is not based so much upon any difference in plan of operation as it is due to the handling of an additional line. The companies handling meats differ somewhat in the matter of controlling the meat managers and cutters. There is a tendency, however, for all of them to conduct the meat business entirely separate from groceries and produce. Three of the companies have separate meat supervisors or superintendents who call at the stores at regular intervals. The fourth company places the grocery manager in charge of all departments of the store. This latter procedure differs from practically other companies. There is some logic in it, however, when the combination store assumes the proportions of a large market. With such an assumption, it is reasonable to have a store manager as head store executive. Reporting to him would be at least three assistants handling groceries, meats, and produce respectively. To do otherwise would cause difficulty because of a dual control within the store.

The companies that operate a large number of meat and combination stores find it necessary to have facilities for storing fresh meats. All matters of meat storage and delivery to the stores are handled by men who report to the head meat buyer. In the instance of two companies the meat supervisors also report to the meat buyer. Thus it can be seen that the majority of firms treat this as a separate department.

One of the older chain-store operators who has been handling fresh meats along with groceries for several years has followed the plan of having a distinct organization and personnel to conduct this part of the business. The form of this particular part of the

organization is illustrated in Chart No. 13 on page 87. It should be noticed that the warehousing, buying, shipping, and store control all come under the line authority of the head meat-department manager. The superintendent of the pork-packing plant is responsible to the same executive. The use of the term district-manager in this chart has the same meaning as supervisor. This chart vividly illustrates how the nature of the business changes the structure of the entire organization. Many of the companies that are just beginning to introduce meat sections in their stores are faced with the problem of handling meat managers. To set up a separate functional division and personnel is the best plan, if the experience of successful concerns is a criterion.

It should be mentioned that the degree of specialization in this trade reaches its apex in companies of the size found in this group. Beyond this size it has been necessary to develop a different form of organization. Up to this point additional activities have been taken over. This has required more executives. When a company handles more than 500 stores it is usually desirable to split up the activities among a limited number of major executives. Therefore, from this point on it should be noticed that the major variations in organization relate to the redivision of the main functions and the organization of the main headquarters rather than changes below the level of major positions.

Group Number 5.

Because of the similarity of organization features between the majority of the companies in this group and those of the previous group, it will not be necessary to present a composite chart. Four of the six firms have a very similar p an of operation, as illustrated in the previous composite chart. There, of course, must be additional workers to take care of the increased tasks caused by the added number of outlets. The personnel in the warehouse and office must be increased. The buying, real estate, and advertising departments will not need to be expanded to any appreciable extent. However, the store superintendent's division of the business must expand to the same extent as the number of new stores. The organization difference is sufficient in this instance, when compared with the previous composite

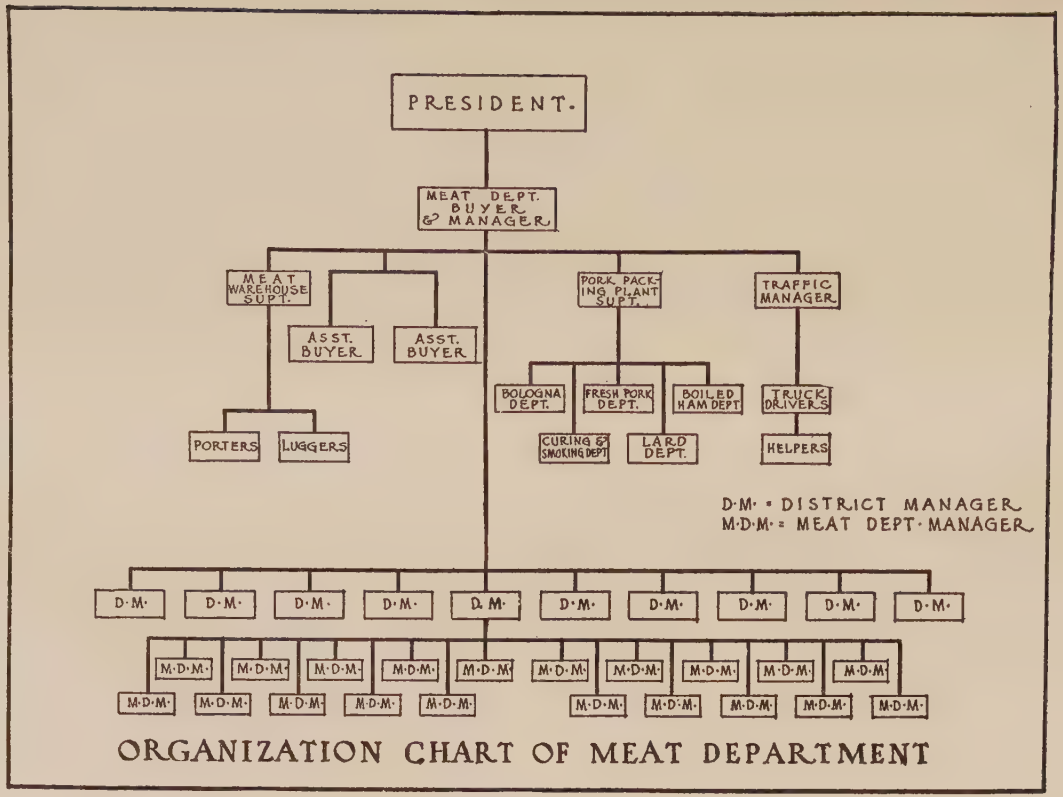

PRESIDENT.
MEAT DEPT. BUYER & MANAGER
MEAT WAREHOUSE SUPT.
ASST. BUYER
ASST. BUYER
PORK PACKING PLANT SUPT.
TRAFFIC MANAGER
BOLOGNA DEPT.
FRESH PORK DEPT.
BOILED HAM DEPT
TRUCK DRIVERS
CURING & SMOKING DEPT
LARD DEPT.
PORTERS
LUGGERS
HELPERS
D·M· = DISTRICT MANAGER
M·D·M· = MEAT DEPT· MANAGER
D·M·
M·D·M·
ORGANIZATION CHART OF MEAT DEPARTMENT

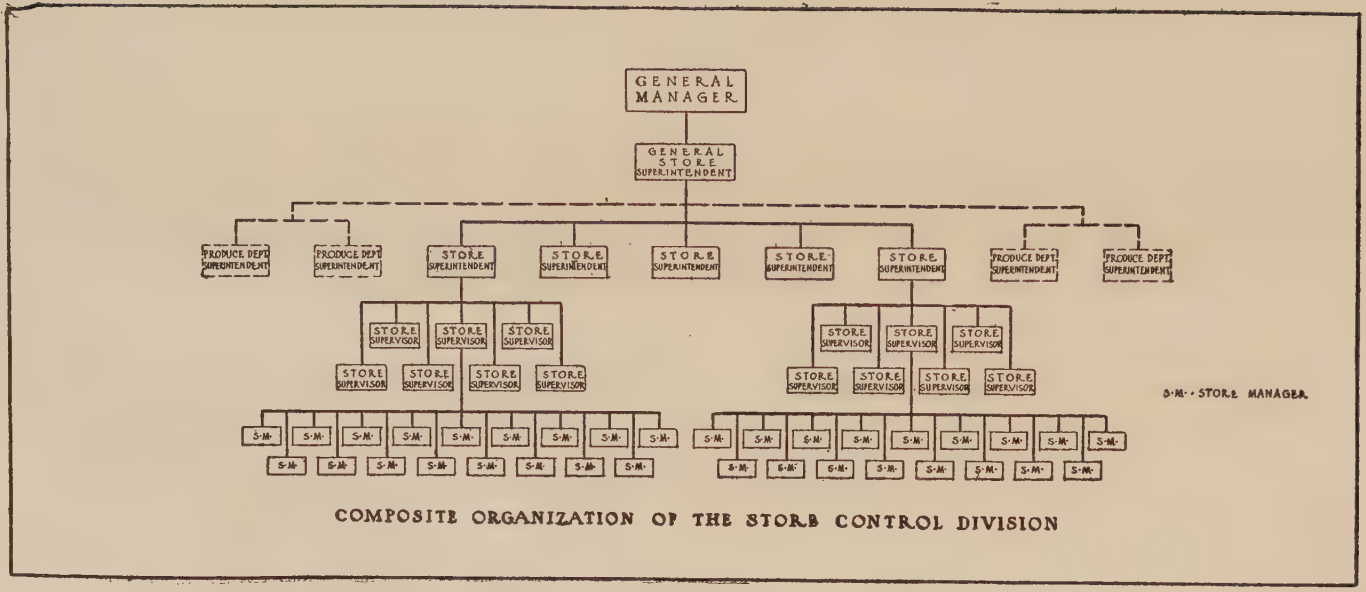
CHART NO. 13

chart, to make it necessary to present this functional aspect in detail.

The organization, which is necessary to control from five to seven hundred stores, differs from the previous group largely in degree. This is well illustrated in Chart No. 14 on page 89. The number of store supervisors responsible to the assistant general store superintendent or store superintendent has not increased in this group of companies over the previous one. The chief change consists of having five store superintendents report to the general store superintendent as in the previous composite chart. Following the form of the chart, we find that a company with over five hundred stores is operated with five men in charge of the entire territory.

The number of store managers that come under the control of a supervisor varies. One concern has a supervisor for every ten stores. Another firm averages thirteen managers. In these two cases particularly, the geographic area is quite extensive. It is logical to expect fewer stores per supervisor, as the rural sections are included. For many companies, the expansion to over five hundred stores was possible only by developing beyond the urban boundaries. One company, that operates in a large metropolitan district, has been able to maintain control of each store by adding additional supervisors. In this case, each supervisor is responsible for twenty to thirty stores. The supervisors report directly to the general store superintendent, there being no intermediate superintendents.

The part of the chart, indicated by dotted lines, shows how one firm is attempting to increase the sales and general merchandising efficiency with regard to the produce departments of each store. The four produce men act in an advisory capacity. While they are permitted to suggest better methods of displaying and selling fruits and vegetables, they are in no way to infringe on the authority of the regular store supervisors. These produce superintendents have been ordered to visit all the stores handling their line. It is hoped by developing a group of specialists to handle this particular aspect that greater sales and profits will accrue. This method of appointing functional specialists is still in the experimental stages. It indicates, however, the tendency to develop the best organization for operating efficiency.



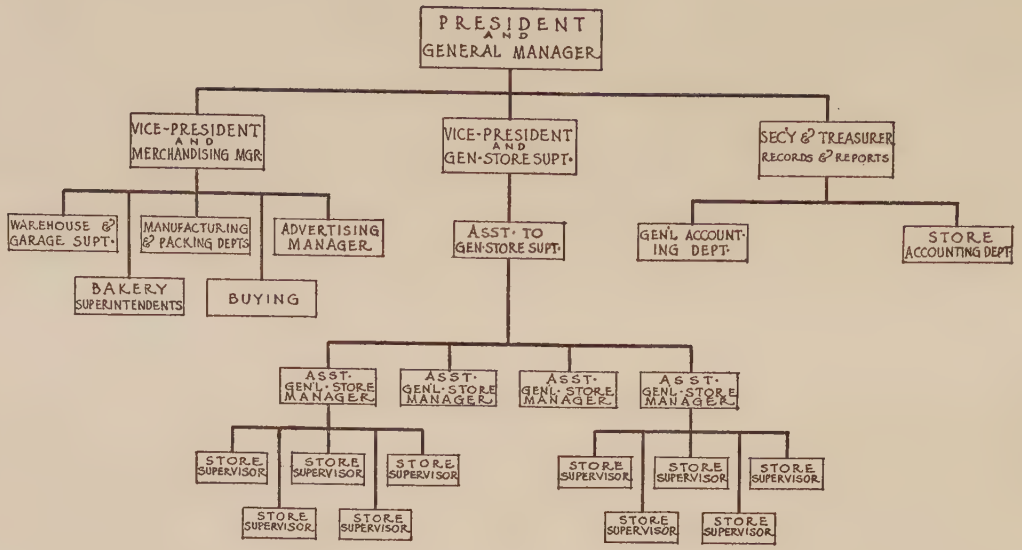
COMPOSITE ORGANIZATION OF THE STORE CONTROL DIVISION

CHART NO. 14

There is one other store control problem that must be considered. Two of the companies studied in this group are operating combination stores. The question naturally arises regarding the best plan of supervising the meat department managers and assistants. Both firms follow the plan of having separate meat supervisors. These meat supervisors report and are responsible to the head meat buyer rather than the general store superintendent. This plan of meat department control seems advisable because of the nature of the commodity. Meat and meat products must be sold within a very limited time, usually not more than a few days after delivery at the store. Unless there is expert advice and supervision, sales are likely to be affected and loss by spoilage and general waste will result. Rapid changes in consumer demand must be communicated immediately to the meat buyers. This is an additional reason why it seems advisable to have a separate supervisory organization to handle the meat departments.

Even though it has been previously mentioned that the main divisions and subdivisions of the six companies approximate the features of the fourth group of businesses, there is one major variation that appears upon the examination of the organization charts. Whether this variation is significant is problematic, because of the limited number of companies in the group. The feature referred to, however, is so different that it should be explained. One of the concerns has divided the operations of the business between two main executives. These men are given titles of vice-president. The head executive to whom they report has a title of president and general manager. One other company has divided the business among three men,—merchandising department head, vice-president in charge of field operations, and the treasurer, who has charge of finance and accounts. In the former concern, one vice-president has charge of field operations or store control, and the other is n charge of all other functional aspects, including records and reports or finance and accounts. These changes are illustrated in Chart No. 15 on page 91. The chart shows only the names of the main executives and functions.

The change from six or eight principal executives down to three



ORGANIZATION CHART SHOWING
INTEGRATION OF MAJOR EXECUTIVE FUNCTIONS

CHART NO. 15

shows that the head executive is unable to deal in an adequate way with all branches of the bus ness. By redividing these major functions among three executives, it is possible to secure better administrative control. Large-scale operations by such firms have made it possible to bring about greater specialization on the part of the major executives.

Group Number 6.

Because of the wide variation in the size of the companies operating over one thousand stores, nothing would be gained in combining the common organization features in the form of a composite chart. In addition to differences in size, there are variations in the extent of the territories being covered. This makes for changes in the organization. The majority of the companies in this group operate district warehouses or units strategetically located throughout the greater part of the country or section.

As far as possible, the buying, accounting, advertising, and real estate functions are carried on at the main headquarters. In most cases all manufacturing activities are carried on at the chief headquarters. When the warehouses and manufacturing departments are centrally located, shipments of the companies' own brands are made direct to the stores or to district warehouses. It is not infrequent to find the principal warehouses located in the center or hub of the territory being covered. For example, one chain company located at Buffalo, New York, operates distributing units at Columbus, Ohio, Erie, Pa., Jamestown, Rochester, Elmira, and Syracuse, New York. The American Stores Company with headquarters in Philadelphia, operates warehouse units in Wilkes-Barre and Johnstown, Pa., Baltimore, Md., and East Orange, N. J.

The best plan to present the facts concerning the organization of these companies is to first deal with the headquarter divisions and secondly, organization facts dealing with the districts or units. The first part will include the operation of the stores in the immediate vicinity of the main office. These stores usually represent the majority of the entire chain.

The first company to be discussed in this group operates prac-

tically all its stores from one point.[9] In this case the main divisional or functional executives are warehouse and transportation manager, meat division manager, committee of three in charge of sales and store operation, grocery division manager, and treasurer in charge of accounts and finance. The men reporting to the warehouse and transportation manager are responsible for the following functions:

1. Receiving
2. Assembling and shipping
3. Salvaging
4. Maintenance of buildings
5. Auto repairs

The chief executive in charge of the meat division supervises everything relative to the purchase and sale of meats and fish. This particular company sells a considerable quantity of fresh fish. The main functional aspects are as follows:

1. Store construction for meat departments
2. Buying of meat, poultry and fish
3. Warehouse and transportation
4. Retail meat department supervision

This company operates a separate store-construction department to take care of the meat stores and meat departments. The workers in this department include painters, carpenters, plumbers, electricians, and ice-machine men. The man in charge of the meat and fish warehouse has charge of receiving and delivery. All fish are cleaned at the warehouse, there being a fish-cleaning department. All fresh meats are cut at the warehouse. In addition, the company operates a pork-products plant. This plant is a part of the fish and meat warehouse and also comes under the supervision of the warehouse and transportation manager.

The meat store managers are controlled by meat superintendents. The latter have line control of all matters concerning the

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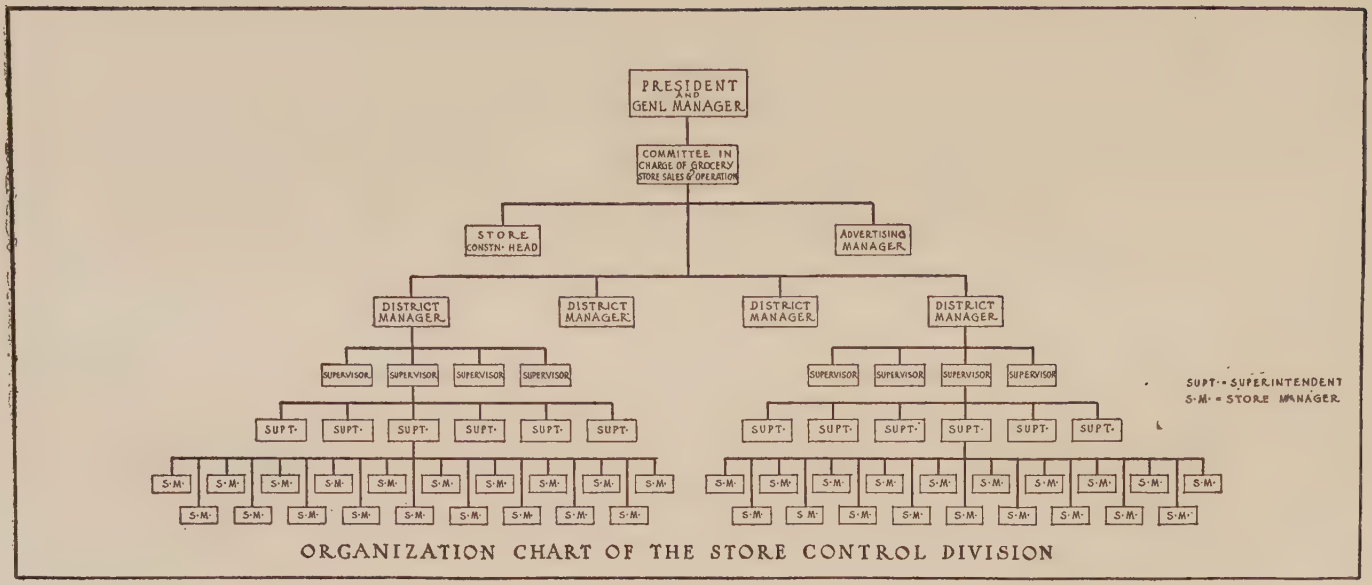
[9] The terms used to describe this company are their own and, therefore, do not conform to the other terminology used in this thesis.

meat departments. Each superintendent is in charge of approximately fifteen stores. Altogether this company has nine superintendents in the field. For each three of these, there is one meat supervisor. The entire territory is divided into three divisions with one supervisor in charge of each. Each supervisor in turn reports to the retail meat department head as indicated in the foregoing list.

The next main functional aspect of the company under consideration is grocery store operation. The control of stores in this case is not left to one man, but to three. This committee is responsible for the location, construction, and operation of all stores selling groceries. They are also administratively in charge of the advertising. The general plan of store control is very much the same as indicated in the last chart of Group 5. However, because of the greater number of stores, it is necessary to have one additional subdivision. The method of control is indicated best in Chart No. 16 on page 95.

In this case each district manager has one segment of the territory which includes an average of four hundred and fifty stores. These managers spend very little time in the field. Their time is spent in going over reports which cover their respective districts and in planning and conducting meetings for the supervisors and superintendents. The supervisors keep in close touch with the district managers at headquarters, while the superintendents very seldom come into headquarters. The supervisors call their field men together at regular intervals at some central store location within their territories. These meetings are supposed to cover all store-operating problems and sales-promotion plans which need to be brought to the attention of the store managers.

The grocery division manager, who is responsible to the president and general manager, is in charge of all manufacturing, except that relating to the meat division, and all purchases of groceries, fruits, vegetables, and allied items. This company, in addition to manufacturing and packaging such articles as mayonnaise, jellies, extracts, etc., operates its own beverage department and candy plant, and a large bakery for bread and cakes. The company also conducts its own laundry service. The head of



ORGANIZATION CHART OF THE STORE CONTROL DIVISION

CHART NO. 16

the laundry reports to the bakery superintendent in this case because they both happen to be in the same building. The plan of having the manufacturing and packaging departments report to the grocery division, which is mainly responsible for purchases, is quite different from the usual practice as explained under the former groups of companies. While there is a very close relationship between buying and manufacturing, the majority of the larger companies control the latter activities through the warehouse division or by a major-executive in charge of manufacturing departments. Exceptions to the latter procedure exist in the case of coffee-roasting and banana-ripening. In these cases, the men in charge report to the respective buyers.

The buying aspects of the business is taken care of by a group of specialists. There are six principal buyers and one junior buyer in this company. Their activities are divided as follows:

1. Canned goods
2. Dried fruits, store supplies, and equipment
3. General grocery line including soaps, cereals, and materials for the manufacturing departments
4. Miscellaneous grocery items and office supplies (junior buyer)
5. Tea, coffee, and flour
6. Butter, eggs, and cheese
7. Fresh fruit and vegetables

In addition to the regular buyers, the head of the grocery division buys sugar and has general supervision of all large-purchase contracts. There is very little difference between the above buying activities and those set forth in the composite chart in the fourth group of companies. A special buyer for canned goods and dried fruits is the only variation.

The last chief functional aspect of the business is that of finance and accounts. The treasurer of the corporation is in charge of this division. The assistant-treasurer and controller, who reports to him, is responsible for all corporate figures. The executives responsible to the assistant-treasurer are, first, the assistant-secretary in charge of corporate stock, leases and claims; second, the office manager in charge of store accounting, accounts payable, store inventories, and filing and mailing departments; third, the

auditor in charge of all cash receipts and bank balances; and lastly, the manufacturing cost-accounting department. The latter department enables the company to compare its own manufacturing costs with the wholesale prices of similar articles that may be bought from outside vendors.

We may now proceed to set forth the organization or main functional divisions of two other companies in this group. So far as possible, comparisons will be made with the company which has just been given and the composite chart of Group 4 (Chart No. 12). One of the companies has four main executives at headquarters in addition to the president and general manager. These executives are in charge of warehouse functions, buying, store operation and supervision, and accounts and finance, respectively. This company has a rather simple organization compared to the first company and those in Charts 12 and 14. This is because it does no manufacturing nor packing of merchandise. Even the butter is printed by an outside firm. Practically all the buying for this concern is done by three men. One buyer handles all canned goods. Cereals are handled by a second buyer. The third man buys the spices, condiments, soaps, and household goods.

The other chain-grocery company is much larger than the one just referred to and appears to be much better organized. In this case, there are six main executives. The corporate titles of these executives and the main functional aspects of their respective divisions are set forth in Chart No. 17 on page 99. This organization chart compares favorably with that of Chart No. 12 on page 83. There is a slight difference in major-executive control, as the vice-president who has charge of all warehouse functions also regulates the buying. The explanation of this variation compared with organization charts of smaller companies may be given from two points of view. It may first be reasoned that this combination is simply due to personal factors. While there is some validity to this contention, it appears that the arrangement is based upon more than the personal equation. The association of warehouse stocks, manufactured and package goods, and purchases from vendors is in no sense illogical. An arrangement of activities which is quite similar to this appeared in Chart No. 15

on page 91. It should be remembered that the division of activities is being grouped on the basis of having a common interest or a degree of homogeneity. With companies of this size, it is essential to limit the number of main executives. To do this efficiently, there must be the correct alignment of the major functions so as not to destroy the necessary coordination between allied departments.

The assistant to the president is in charge of certain buying functions and the supervision of the meat departments. This company has one buyer each for butter, eggs, and cheese. Meat purchases are made by a head buyer and eight assistants. The head meat buyer also has line control of the meat departments. The executive in charge of the latter function is known as the head meat-superintendent. It should be noted that the assistant to the president is also the point of contact between the main office and a dairy company which is owned by the parent company. This dairy company processes large quantities of milk, which is sold by the chain under its own brand name.

The next two divisions of the business relate to employment and store control and real estate. One executive is in charge of employment and management of the grocery departments. The other executive has charge of real estate and store construction. Both of these men report to the vice-president and general manager. The field personnel consists of approximately twenty-five general grocery superintendents. Each man is in charge of about one hundred stores. Every general grocery superintendent's territory is subdivided into an average of seven districts. Each district contains approximately fifteen stores. There is a grocery superintendent or supervisor in charge of each district. This plan of store-control varies from that set forth in the preceding chart. While the latter company is much larger, it has a simpler form of organization. The plan in Chart No. 16 on page 95 seems to be better for large companies because it reduces the number of principal executives reporting at headquarters and has a greater concentration of men in the field.[10]

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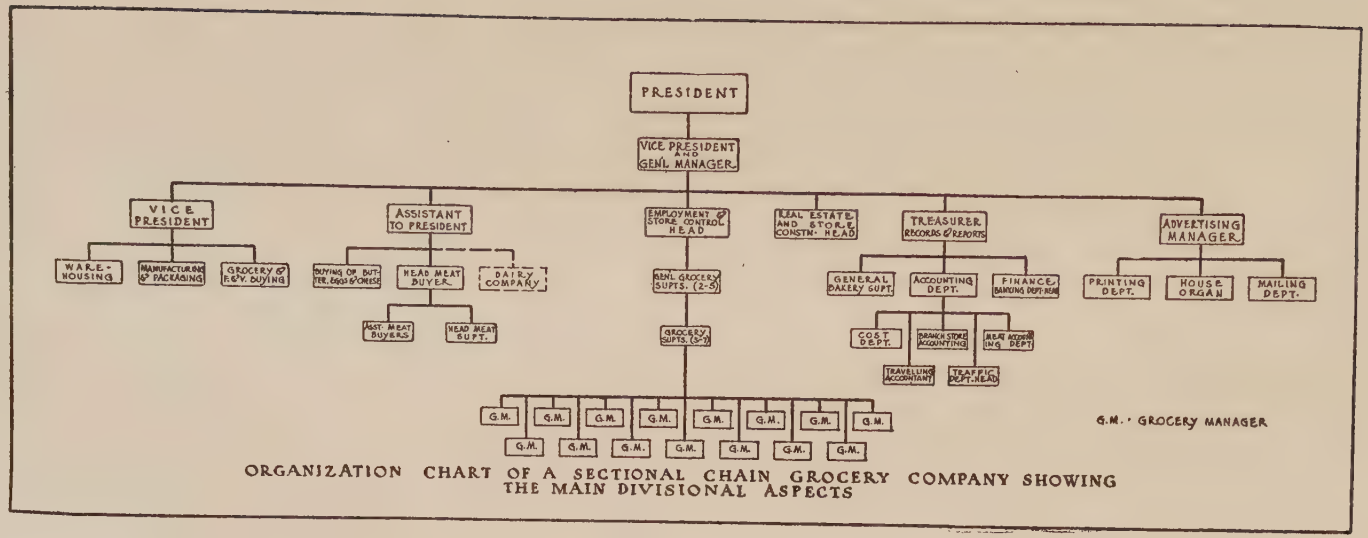
[10] Comparison should be made between charts Nos. 14 and 16 regarding the organization of the store or field operation personnel.



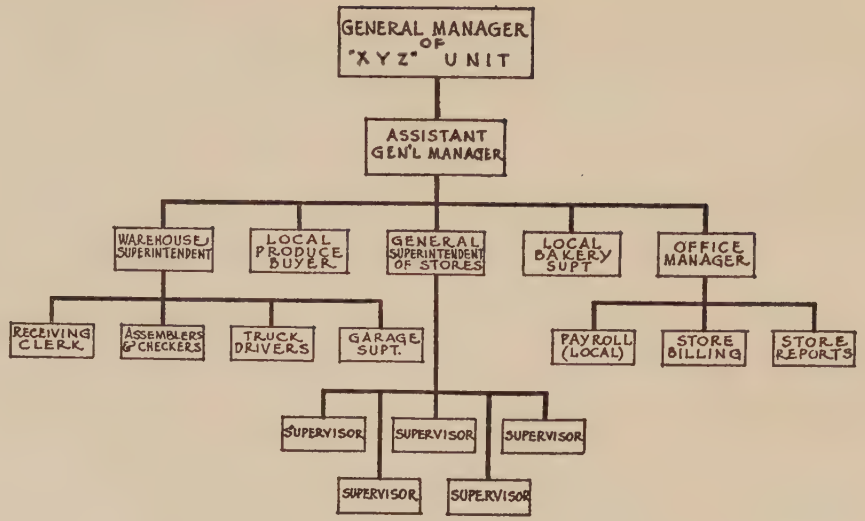
ORGANIZATION CHART OF A SECTIONAL CHAIN GROCERY COMPANY SHOWING THE MAIN DIVISIONAL ASPECTS

CHART NO. 17

The organization of the treasurer's function in this company is self-explanatory with the exception of the bakeries. In most companies the head of the bakery either reports directly to the general manager or to the warehouse superintendent. This is particularly true with the smaller companies and when there is only one bakery. However, in this case, there are several bakeries located strategically throughout the entire section. The head executives of the various bakeries are responsible to the general bakery superintendent. The latter, in turn, reports to the treasurer of the company. While this plan of organization may be due partly to personal factors, there is much to be said in having the man in charge of bakeries reporting to one of the major functionaries rather than directly to the head executive of the business.

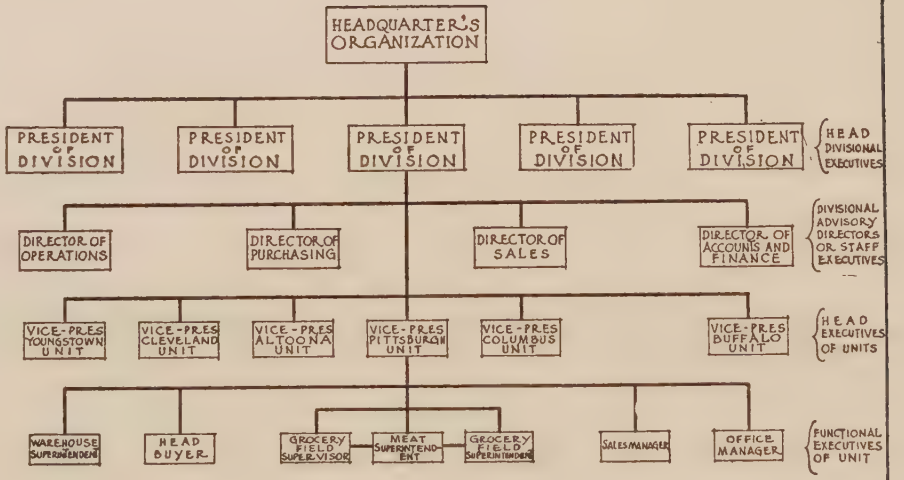
The last divisional aspect s that of advertising. In this instance the advertising manager not only has direct charge of all newspaper and direct store advertising, but has line authority over the printing and mailing departments. He is also responsible for the publication of the house organ, the circulation of which is confined largely to the store managers. A publication of this kind is usually handled by a separate individual of the advertising department.

We may now turn to a consideration of the organization or functional aspects of the districts or units which are operated as distributing and redistributing depots for the large, sectional, chain-grocery companies. There is a wide variation in the size and degree of power and specialization in the district warehouses. This is due to the number of stores being operated and the extensiveness of the territory being covered. The farther away the units are from headquarters, the greater is the authority of those in charge. Since the majority of the larger companies confine their activities to a section of the country such as the New England States, the Middle Atlantic States, etc., or even smaller areas, most of the district-warehouse executives have limited functions and authority. This is illustrated in composite chart No. 18 on page 101, which is based upon the district organizations of three companies. It is assumed that the unit is large enough and far enough away from the main headquarters to be operating its own bakery.



THE COMPOSITE ORGANIZATION CHART OF A DISTRICT OR UNIT

CHART NO. 18



ORGANIZATION CHART OF A NATIONAL CHAIN GROCERY COMPANY SHOWING THE MAIN DIVISIONAL ASPECTS

CHART NO. 19

The most important operating aspects of any district or unit are those related to warehousing and store control. Purchasing, aside from produce bought locally, is handled at the main headquarters. Records of warehouse stocks are maintained for the distant warehouses in practically the same way as for those adjacent to the main office. Since nearly all bills are paid from headquarters, the need for local records is confined largely to billing the stores for merchandise that goes from the warehouse and bakery, and summarizing the sales reports which are sent in by the store managers.

One of the very largest chain-grocery companies in the country has found it necessary to work out a more elaborate plan of organization. In this case the parent company has divided the country into five divisions or districts. In each district there is a divisional headquarters organization. Each divisional chief executive supervises and directs the operations of approximately five units or districts. For example, Pittsburgh is one of the divisional headquarters. The president in charge of this section operates five units in addition to the one in Pittsburgh.[11] There is a vice-president in charge of each of the following units: Youngstown, Ohio; Cleveland, Ohio; Columbus, Ohio; Altoona, Pa.; and Buffalo, New York. The head executive of each unit is responsible to the president at Pittsburgh. The general organization plan of this company may more easily be visualized as set forth in Chart No. 19 on page 102. The operations of this company are co-ordinated through each divisional office. Each office has a staff of four directors who work with their respective executives in each unit. These advisers are also kept informed of the general company plans and activities through a similar functional staff at the national headquarters. The national office has control of all manufacturing activities, group purchases, imported merchandise, national advertising, and general administrative policies of the entire business.

It should be mentioned that the organization of any individual unit or district of a large company would be much more elaborate

[11] The title of president which is given to the head executive of the division is not a corporate title. This same situation exists with regard to the vice-president of the divisions.

than that of a smaller sectional chain business. Many of these units will have just as specialized an organization as those found in the fourth and fifth group of companies. The district warehouse organization may vary from a small and simple one to a division as elaborate and specialized and with practically independent operating power as the one shown in the last chart. Such a plan vividly indicates the elaborateness and the extent of the division of labor in present large-scale chain establishments.

IV

Conclusions and Recommendations

The rapid increase in the number of chain-store companies and the unprecedented development of individual concerns might lead one to believe that this trade was well-organized, and, because of this fact, nothing but a phenomenal expansion was the result. Nothing could be more misleading. While the efficiency of their organization *per se* may be better than those with which they were competing, the wholesalers and independent retailers, the principal reason for chain-store growth was the policy of operation. Independent stores were catering to consumers on the basis of handling their entire needs in any one line and giving certain other incidental services. The chain stores, on the other hand, adopted the policy of handling a limited line of merchandise and eliminating both the telephone and delivery service. Since chain stores for the most part started as retailers, the policy of dealing with the wholesaler was optional. Moreover, because the majority of them limited their lines of merchandise to staple goods, it soon became more advantageous to purchase direct from the producer.

This policy gave the chain-store systems certain operating advantages. As a group they were in a better position to secure the benefits of special purchases which were offered. They were also in a better position to cooperate with a manufacturer in putting a new product on the market or in stimulating demand for an old one. We may make, therefore, the first summary statement as follows:

Chain-store progress took place because of the radical change in merchandising policy contrasted with the regular or orthodox methods. While the form of organization developed by the chain-store companies varied from both the wholesale and independent concerns, it cannot be stated that their growth was due to the efficiency of one organization type in contrast with the other. This is true when we view the organization forms as a reflection of the changed policies. In other words, the organi-

zation was different because of different operating policies and not because it was more efficient *per se.*

If we compare the organization charts of chain stores with independent retailers, a very definite conclusion is possible. The independent retailer personally or with limited organization methods performs the functions of buying, advertising, selling, and caring for merchandise, and controls his own operating and financial records. The discharge of these functions efficiently in a small store becomes expensive in competition with organizations large enough in nature to obtain the results of departmentalization, and not to do so places it in a poor competitive position. In contrast to the "individual dealer" methods, we have seen, in the composite chain grocery organization charts, how the foregoing functions are performed by specialized individuals at headquarters and not by the managers of the individual chain units. From these contrasting facts we may properly conclude that the divisions of work or functional aspects of the chain make it possible to secure the advantages of the division or specialization of labor.

When we compare the organization of the wholesale grocery business with the chain, we find there are certain factors in common. They both have a warehouse superintendent. The minor executives for this function in both cases are substantially the same. However, because the chain-store company secures all the trade from each of its stores, it does not need to use the broken-package department to the same extent as the average wholesaler.[1] In addition to this, the chain performs the delivery function more economically because it delivers all the goods to the stores, while the wholesalers duplicate their efforts in delivering to the independents.

As to the buying function, there does not appear to be any great difference between the chain-grocery company and the wholesaler. Both have developed specialized buyers and to the same extent. It should be mentioned, however, that the chain companies, since they carry a limited number of items and purchase

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[1] The meaning of the term—broken-package department—was given in connection with the third group of companies in Chapter IV, page 76.

these in greater quantity, are able to have a slight advantage in buying ability. Such a condition also should enable the chain-store buyers to give more attention to the sale of their goods. Better stock control and better profit records for the various items would naturally revert to more efficient buying.

The next, chief, functional executive in the wholesale business is the sales manager.[2] This sales department differs from the chain-store organization because of the real difference in what each is endeavoring to accomplish. The wholesaler must solicit the retailers' business, while the chain-store company receives the store orders automatically. The chain stores are controlled by the supervisors, while the wholesalers have very little control over the retail outlets. With this lack of control and independent responsibility of retailers, the wholesaler is conducting his business under adverse conditions. The wholesaler's advertising and sales promotion work must be directed to the retailer, while the chain-store advertising effort is focused on the consumer. This eliminates to a considerable extent one intermediate step.

There is one other functional division of wholesaling which should be contrasted with the chain. The need for a credit manager does not exist in most chains, while the wholesalers are faced with the duty of securing the prompt payment of the regular store accounts. It is not possible to criticize the efficiency of the wholesalers' credit departments. It is possible, however, to state that this function does not exist in the chain-store field because all the stores sell for cash. This policy is not true for the great majority of stores other than chains.

It is now possible to conclude that any inefficiencies that exist in the wholesale establishments are due to their own policies and the incompetent business men with whom they deal.[3] In general, the functional organization aspects are just as well planned as the chain-store companies. The latter, however, are in a distinct operating advantage because they can secure a more

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[2] Refer to Chart No. 1 on page 23.

[3] Nebraska Studies in Business, No. 14. "Some Aspects of Grocery-Store Failures". Published by the Extension Division of the University of Nebraska, Lincoln, 1926.

specialized division of labor. This advantage is not entirely due to a better functional organization, *per se*, but because of chain-grocery-store policies as contrasted with wholesalers and independent retailers.

In other words, the chain-store companies are in a better position to judge the consumer needs and the latter may be directly transmitted to the manufacturers. Whereas, in the case of the wholesaler, there is no direct contact with the consumer. Because of the integration of functions and organization on the part of chain stores, they have been able, not only to replace the independent retailers, but, also, to replace the wholesale dealers to a considerable extent.

Before analyzing the composite organization charts in the light of the principles developed by the industrialist, it is desirable to compare the variations in functionalization between the grocery chains and department stores. While these vary radically in the nature of the goods being sold and operating policy, they both are forms of large-scale retailing. Because of this fact, a comparison may be valuable. Functionally, the chain companies carry on additional activities. They include real estate, manufacturing, and store management. On the other hand, the department store gives delivery and extends credit. As a matter of fact, there are certain variations in function and duties which are worthy of consideration. In the department store the aisle managers, who represent the service aspect of the store in contrast to the merchandising division, are not responsible for sales. In this case the departmental buyers are responsible for selling as well as purchasing. In the chain stores the store supervisors and store managers are responsible for selling and store service, but not buying. From this comparison it may be concluded that the chain store has greater specialization than the department store because it has separated the functions of buying and selling. In most department stores these are combined under the line control of the general merchandise manager and departmental buyers. Should chain-department stores develop to an appreciable extent, the present departmental buyers might be eliminated and in their places departmental managers in charge of selling could be substituted.

Since the department stores have been operating for a longer time and therefore have had greater organization experience, they have developed one particular organization aspect which could be adopted by the chain-grocery companies. The practice referred to is the committee form or the consulting sessions of the committee. Coordination of specialized functions requires frequent meetings of the chief executives in large companies in order to be assured that the business is operating on a level keel. The department stores have developed, as pointed out in Chapter I, the use of committees. The chain stores may well emulate this particular organization aspect of which they appear to be in need.

By again referring to the various composite charts it will be noticed that there is greater and greater specialization by functions and personnel according to the relative size of the companies. This increased subdivision of work and responsibility has both its advantages and disadvantages. Many companies are endeavoring to secure the results of minute division of labor, but these efforts are being carried too far and apparently to their own detriment. This condition becomes particularly pronounced in composite organization charts Numbers 3 and 4. One company which operates about four hundred stores has nine major executives. While each of these men is responsib e for varying degrees of work and, therefore, possesses varying abilities, they all report to the head executive.

Several of the chain companies have each specialized buyer reporting to the general manager instead of having a head buyer. It would be a better policy to assign the full buying authority to one man, even though part of his time was devoted to the purchasing of certain merchandise. Supervision by the chief executive could be more efficiently carried on if the number of subordinate executives was reduced. When the head executive assumes the responsibilities for co-ordinating and controlling the activities of eight or nine divisional aspects of the business, he will be unable to devote sufficient time or give his best efforts to the creative administrative work that naturally falls to his lot.

Most of the smaller firms are one-man businesses, and therefore, reflect a single personality. Under these conditions their

progress is based upon the possible development of the owner's ability. If the latter is not possible, the growth of the company is limited. Owners of concerns of this kind have sensed their limitations in certain instances and have sold out to their competitors or bankers. The writer is familiar with one firm that developed so rapidly under the control of a single personality, that it became difficult to maintain sufficient control over the various functional aspects. This difficulty finally led to the insolvency of the business. In this case there was no criticism of the rate of expansion as such. The deficiency was due to poor managerial control. There was a lack of line authority and responsibility. Thus the expansion of the business was not possible with an organization form of the "line" or "military type". This and other similar examples of poor management led to the conclusion that there is a noticeable lack of system and business acumen on the part of certain executives in this field.

Many of the older companies that have progressed rapidly under the "military type" of organization, feel reluctant to change. There is one chain-store owner who is operating over four hundred stores. He still endeavors to keep in close touch with all aspects of his business. This man writes his own advertising and passes on all new store locations. Although this and other illustrations have been cited to show that the application of the technique of organization is still to be applied to the chain-grocery field, certain firms are becoming management-conscious. The companies that have made the greatest strides are those that have given up the policy of using the "line" or "military" type of organization.

The majority of the companies that are operating over five hundred stores have adopted the "line and staff" type of organization. This form has the advantage of combining line-authority with the functional staff. The necessary, technical, operating information is secured best by this method. Along with this tendency to operate the chain companies with functional and line authority, several of the larger companies have found it necessary to combine certain functional activities, and in this way limit the number of main executives. One company has combined

warehousing, manufacturing and packaging, baking, buying, and advertising. The executives in direct charge of these divisions report to a vice-president and general-merchandise manager instead of directly to the president and general manager.

Another company has one principal executive in charge of warehousing, manufacturing, packaging, and grocery buying; the second main executive is in charge of buying and in control of all meat departments. A third executive has charge of advertising; the fourth is in charge of finance and accounts. The fifth executive has charge of real estate and store construction work. The sixth main operating staff executive, who is also assistant general manager, has charge of directing employment and controlling store outlets. Still another company has divided the entire business into five main groups. They are operating, purchasing, sales, accounts and finance, and store control. All of these examples show that the larger companies have found it necessary to combine certain aspects of the business in order to bring about more efficient operation through better coordination. This plan would not be effective unless the owners of the business or the general manager has definitely delegated authority and has fixed responsibility upon the main executives.

For all chain-grocery companies the problem of controlling stores is very important. The profitableness of the business is finally determined by the individual store operating statements. The favorableness of these statements are partly dependent upon the control which exists between headquarters and the units. All chains control their stores on the same basis. Most of them have supervisors or superintendents in direct charge. The larger companies must divide and subdivide the territory being covered. With one company the line authority passes from the head executive to district manager, supervisor, and superintendent, respectively, before it reaches those in charge of the individual stores.

The frequent recourse to meetings and reports of committees has taken place in most of the chain companies relative to this operating phase of the business. These meetings are necessary in order to keep the field organization informed of changes in merchandise, price, store and window displays, etc. The greatest

need for coordination in this type of business is between the headquarters staff and the men in the field. There is a definite line of authority and fixed responsibility in this particular division of business, even though the other aspects are not organized with the same degree of efficiency.

One other aspect of chain-grocery-store organization should be summarily stated. This relates to the use of a staff or functional division. Only one company is operating a functional staff along with line control. This firm has recently developed fruit and vegetable departments in its grocery stores and is now sending men to the stores to make suggestions regarding this division of the business. This is a direct application of Frederick Taylor's functional foremanship plan, which was first applied in a Philadelphia steel plant. If this tendency should be generally adopted in retailing, we may find several specialists calling upon the retail store manager and giving advice relative to his own particular branch. While the use of such a plan may be feasible, the facts do not indicate that it has made much progress. It remains to be determined whether or not this plan would secure the maximum cooperation of store managers. While the evidence, regarding the use of specialized men to call at the stores to consult with the store managers or departmental managers, if the store is departmentalized, is not sufficient to warrant any dogmatic statement, there are certain changes and tendencies that must not be overlooked. For the most part the field organization has direct charge of matters relating to sales. In addition to those which are strictly sales they must make sure that the store managers carry out all activities pertaining directly or indirectly to the other departments of the business. These would include store ordering, returning empty boxes, bottles, barrels, etc. Store reports and inventory records are other activities that must be performed. The question naturally arises, to what extent can we expect the supervisors to study adequately store merchandising or sales problems if a considerable amount of their time is taken up with perfunctory matters.

Some evidence has been given in the last chapter which leads us to believe that certain companies are endeavoring to have a more specialized field personnel. We have already noted that

inventories are being handled by a specialized crew. In one other case we have seen that specialized ability is devoted to the problem of selling fruits and vegetables. It also has been the general practice to have separate meat supervisors when a concern is operating meat departments or stores. If this tendency continues we may find that the main supervisor will be relieved of all selling interests and simply be the contact between the divisions of the main office and warehouse and the store. While they may retain the line authority between the general store superintendent and the individual store managers, they will be assisted by a staff of merchandising specialists. These specialists will be interested in promoting the sales of different lines of merchandise, *i. e.*, candies, staple groceries, fruits and vegetables, fresh meats, bread, cakes and allied lines. This tendency, while still in the embryonic stage, is worthy of thought by chain-store owners who are interested in changing their organization in relation to more scientific merchandising. With the very recent development of combination grocery stores and in some cases, large chain markets, a specialized field personnel, as just suggested, would represent a definite step forward. It has the advantage of further specialization and greater emphasis on better selling.

The conclusions arrived at in this research, are based upon the composite organization charts as presented in Chapter III. They not only present the extent to which the chain-grocery companies have developed in point of organization, but present the features which all companies should have considering their particular size. These charts, showing the line and functional aspects of this retail trade, represent the first attempt to make a comprehensive presentation of this kind. They show in graphic form what should exist according to the present operating technique.

Based upon these chain grocery store organization facts and writings in the field of management, the following summary statements may be made:

1. The chain-store form of retailing differs greatly from that of the independent unit store, the department store, and the wholesale business.

2. Compared to these other types of distributive establishments, there is a greater degree of specialization and centralized control, both of which make for more efficient operation.[4]

3. Many of the chain organizations, however, are still operating as "line" or "military" types.

4. Most of the larger concerns and a few of the smaller ones have adopted the features of the "line and staff" form of organization.

5. Because of the colossal size of many of these companies, compared to the small-sized retail businesses in this trade but a decade ago, they have been compelled to adopt new organization forms. A few companies are experimenting with the plan of staff executives, hoping by this method to secure the benefits of specialization and greater coordination. Several are experimenting at the present time with different methods of controlling meat and vegetable departments. The weight of evidence of this research leads to the general conclusion that dual supervisory control is followed in the case of stores handling meats, fruits, and vegetables combined with the regular line of groceries.

6. Several companies have grown to the point where the owner, or owners, have come to the end of their own organizing capacity. Many of these chain-store operators were industrious workers and, so long as they could keep in touch with every aspect of their business and direct them, progress continued. When it grew beyond their personal supervision and other larger chain companies entered the field, the future was not so bright. To those who were incapacitated or were unfamiliar with the technique of organization and management it was a case of selecting between two alternatives—bankruptcy or absorption. Many, fortunately, sold their interests to the larger and the more experienced competitors.

7. The rapid growth of individual companies and consolidations which has just been alluded to further accentuated the need for organization and management research work. One of the largest chain-grocery companies now operates a research department at its central headquarters. This indicates that planning and better management is found necessary.

In bringing this thesis to a close, it must be remembered that the field of retail merchandising and distribution generally has been receiving more and more attention by all classes and interests. Every one is interested in eliminating waste and inefficiency. The problems of distribution are quite complex, but despite this complexity, rapid strides have been made. Con-

[4] The one possible exception may be that of the department store.

sequently, in certain retail fields this development may be characterized as a revolution. As a result, many wholesale firms have had to seek new avenues for their capital, and many others have lost part or all of their investments. Just as these past changes have brought many unfortunate conditions, so the future holds the same fate. However, regardless of what form retailing may take, there will always be the need for efficient organization. To those who are now engaged in the retail trades, and specifically the chain-grocery field, I make the following recommendations:

1. Make a complete survey of your business relative to the necessary functions to be performed.
2. Chart the organization and continue to change the form of the organizaton plan just the same as other operating policies are changed when necessary.
3. Make sure that each individual in the organization is given definite authority and responsibility.
4. Relieve the main functional executive of operating detail so that he may have ample time for creative work. Since it is this aspect in which the greatest number of organization changes have taken place, particularly in the larger firms, it behooves those in administrative charge to make sure that all standardized and routine operating activities are delegated to sub-executives. This will permit the major executives to devote their undivided attention to merchandising and sales plans.
5. More of the companies should hold regular executive meetings in order to bring about better coordination of functional divisions.

APPENDIX

HISTORY AND GROWTH OF GROCERY CHAINS

A. NAME OF COMPANY

B. IS THE COMPANY
   1. Owned by an individual
   2. Partnership
   3. Corporation

C. HISTORY OF COMPANY:
   1. What year was the business organized? Month Year
   2. Indicate the number of stores using the form on pages 118 and 119.

(Remember this is a lengthy set of questions. To be scientific and to render you a future service, it is necessary to ask your considerate care in answering them.)

NOTE: *Most of these questions simply require checking.*

ORGANIZATION OF GROCERY CHAINS

A. *Headquarters Organization*
   1. Who is the operating "Head Executive" of the business?[1] (Check any one or add title).
      1 a. President
      b. President and General Manager
      c. General Manager
      d.
   2. Who are the main divisional or functional executives that are directly responsible to the "Head Executive" of the business? (Check or add titles).
      a. Warehouse Superintendent
      b. Head Superintendent in charge of stores
      c. Head of Finance and Accounts or Records and Reports
         1. Comptroller
         2. Office Manager
         3.

[1] The term "Head Executive" refers to the man who is in direct control of the operations of the company. He is the one to whom all minor executives report. If the company has a President and a General Manager, the term "Head Executive" relates to the General Manager. Throughout this questionnaire the term "Head Executive" appears in many questions. It refers to the position which you designate in this first question.

d. Advertising Manager
e. Garage Superintendent
f. Real Estate Manager
g. Head Buyer ( ) or Buyers ( )[2]
h. Personnel or Employment Manager
i. Traffic Manager
j. Bakery Superintendent
k. Sales Manager
l. Manufacturing Department Manager
m. Head Superintendent in charge of meat stores and managers
n. List all other executives that report directly to the "Head Executive" of the business

1.
2.
3.
4.

B. *Warehouse Function*

1. Who has charge of the warehouse function?
(Give title of position)
2. What are the main departments of the warehouse?
(Check or add departments)

List title of man in charge[3]

a. Receiving department
b. Warehousing or storage function
c. Making up store orders
d. Delivery department
e. Garage
f. Other departments

1.
2.
3.

---

[2] If the buying or purchasing function is headed by one man, place a check mark after "Head Buyer". If the various buyers report individually to the "Head Executive" of the business, then place a check mark after "Buyers".

[3] By "Title of Man in Charge" is meant the name of his position. For example, the head of receiving will be a Receiving Department Manager.

NUMBER OF STORES[1]

	GROCERY STORES (EXCLUDING MEAT DEPARTMENTS)		COMBINATION STORES (INCLUDING MEATS AND GROCERIES)		MEAT STORES (EXCLUDING GROCERIES)		OTHER TYPES OF STORES
	WITHOUT PRODUCE (2)	WITH PRODUCE (2)	WITHOUT PRODUCE (2)	WITH PRODUCE (2)	WITHOUT PRODUCE (2)	WITH PRODUCE (2)	
End of 1st year.....							
" " 1900.....							
" " 1905.....							
" " 1910.....							
" " 1915.....							
" " 1920.....							
" " 1925.....							
" " 1926.....							
" " 1927.....							
Oct.1, 1928.....							

[1] In listing the number of stores, include those opened as well as those acquired.
[2] Produce includes fresh fruits and vegetables handled as a separate department or section of the store.

D. Acquisition of stores, other than opening new stores.

	Date		Number of Stores Acquired			
Name and address of companies that have been partially or totally acquired.	MONTH	YEAR	GRO. STORES (EX. MEATS)	COM. STORES (MEATS AND GROCERIES)	MEAT (EX. GROCERIES)	OTHER TYPES OF STORES
1.						
2.						
3.						
4.						

3. Do you operate manufacturing and packing departments under the head of the warehouse? Yes ( ) No ( )
4. If your answer to the previous question is "yes", *check* the various activities which are performed and indicate who is in charge of same.

Manufacturing and Packing Activities	*Title of Man in Charge*
a. Coffee roasting	
b. Blending and packing tea	
c. Packing olives	
d. Bottling vinegar	
e. Bottling ammonia	
f. Packing rice, tapioca, dried peas, beans, etc.	
g. Egg candling and packaging	
h. Butter printing and packaging	
i Banana ripening department	
j Other manufacturing and packing departments	
1.	
2.	
3.	
4.	

5. If your answer to question 3 is "no", *check* the following activities which are being performed; *indicate the titles* of the men in charge and to whom they are responsible.

Manufacturing and Packing Activities	*Title of Man in Charge*	*Executive to Whom He is Responsible*
a. Coffee roasting		
b. Blending and packing tea		
c. Packing olives		
d. Bottling vinegar		
e. Bottling ammonia		
f. Packing rice, tapioca and dried peas, beans, etc.		
g. Egg candling and packaging		
h. Butter printing and packaging		
i. Banana ripening department		
j. Other manufacturing and packing departments		
1.		
2.		
3.		
4.		

6. Do you have a Garage Superintendent?
   Yes ( ) No ( )
7. To whom is he responsible?
   (Check)
   a. Warehouse Superintendent
   b. Traffic Manager
   c. "Head Executive" of the business
   d. Other title

8. *Check* the following garage activities and list the men who are responsible for same:

Activities	*Title of Man in Charge*
a. Repair department	
b. Paint shop	
c. Washing	
d. Supply department (oil and gas)	
e. Others	
1.	
2.	
3.	

9. To whom are the truck drivers responsible?
   a. For delivery of merchandise
      (Check)
      1. Warehouse Superintendent
      2. Traffic Manager
      3. Garage Superintendent
      4.
   b. For care of truck and accidents
      (Check)
      1. Garage Superintendent
      2. Warehouse Superintendent
      3. Traffic Manager
      4.
10. Who has charge of heating the warehouse?
    (Give title of position)
11. Is he responsible to the Warehouse Superintendent?
    Yes ( ) No ( )
12. If not, to whom is he responsible?
    (Give title of position)
13. Who has charge of maintenance and cleaning of the warehouse and office?

(Give title of position)

14. Is he responsible to the Warehouse Superintendent?
    Yes ( ) No ( )
15. If not, to whom is he responsible?
    (Give title of position)
16. Do you salvage boxes, barrels, paper, etc.?
    Yes ( ) No ( )
17. Who has charge of this work?
    (Give title of position)
18. Is he responsible to the Warehouse Superintendent?
    Yes ( ) No ( )
19. If not, to whom is he responsible?
    (Give title of position)

C. *Control of Stores*

1. To whom are the individual grocery store managers responsible?
   (Check or add title)
   a. District Supervisor
   b. District Manager
   c. District Superintendent
   d.

2. How many men do you have supervising the grocery stores?
3. How many stores does each supervising man have charge of?
   (Check)
   Does he have charge of:
   5–10 stores
   or 11–15 stores
   or 16–20 stores
   or 21–25 stores
   or 26–30 stores
   or 31–35 stores
4. To whom are the men supervising the stores responsible?
   (Check or add title)
   a. General Supervisor
   b. General Superintendent of stores
   c.
5. Is the executive that you checked or listed in the preceding question (4) directly responsible to the "Head Executive" of the business?
   Yes ( ) No ( )

6. If the answer to the preceding question is "no", then to whom is he responsible?
(Give title of position)

7. Are the managers of the individual meat departments responsible to the same supervising executive as the store grocery managers?
Yes ( ) No ( )

8. If the answer to the preceding question is "no", then to whom are the meat managers responsible?
(Check or add title)
   a. Meat Superintendent
   b. Meat Supervisor
   c.

9. How many meat managers does each supervisor or executive, as checked or listed in the preceding question (8), have charge of?
(Check)
Does he have charge of
   5 – 10 meat managers
   or 11 – 15 meat managers
   or 16 – 20 meat managers
   or 21 – 25 meat managers
   or 26 – 30 meat managers
   or 31 – 35 meat managers

10. To whom are the men supervising the meat managers responsible?
(Check or add title)
   a. General Meat Superintendent
   b. General Meat Supervisor
   c. General Store Superintendent
   d. Meat Buyer
   e.

11. If you handle produce (fruits and vegetables), who has charge of this department in the stores?
(Check or add title)
   a. The Grocery Manager
   b. The Meat Manager
   c. Produce Manager
   d.

D. *The Function of Finance and Accounts or Records and Reports*

1. Who has charge of the function of finance and accounts?
Give title—

2. What are the main departments or divisions of this function of the business which you operate?
(Check and add departments)
    a. Store Order Department
    b. Store Billing Department
    c. Cashier's Department
    d. Accounts Payable or Invoice Department
    e. Stock Auditing Department
    f. Direct Shipment Department

        (Checking merchandise receiving slips which are a result of goods sold direct to the store by manufacturers and wholesale dealers)

    g. General Ledger
    h. Manufacturing Accounting Division
    i. Payroll Department
    j Statistical Department
    k. Other Departments or Divisions
        1.
        2.
        3.
3. Do you operate with a cost or retail method of inventory?
(Check the one being used)
    a. Cost method
    b. Retail method
4. How frequently do you make a physical count of the merchandise in each store?
(Check or add)
    a. Weekly
    b. Semi-monthly
    c. Monthly
    d. Quarterly
    e. Semi-annually
    f. Annually
    g.
5. Does this vary according to the record of the manager and his length of service? Yes ( ) No ( )
6. Who regularly assists in taking store inventories?
(Check or add names)
    a. Store Manager
    b. Stock Auditing Crew

c. District Manager, Superintendent or Supervisor
d. Store Clerks
e.

E. *Advertising Function*

1. Do you use an advertising agency to prepare the advertisements and contract for space?
   Yes ( ) No ( )
2. Do you have an advertising manager?
   Yes ( ) No ( )
3. Who regularly determines the special sale items and their prices?
   (Check and add titles)
   a. "Head Executive" of the business
   b. Head Buyer
   c. The Individual Buyers
   d. The Sales Manager
   e. The Advertising Manager
   f. By committee of the following executives:
      (List the titles of the executives)
4. Do you operate your own Printing and Mimeograph Department?
   Yes ( ) No ( )
5. Who has charge of this department?
   (Check or add title)
   a. Advertising Manager
   b. Office Manager
   c.
6. If you do not have an Advertising Manager and do not deal with an advertising agency, who prepares the copy for circulars, newspaper advertisements and other media?
   (Check or add title)
   a. "Head Executive" of the business
   b. Head Buyer
   c.
7. Does the Advertising Manager have charge of window display?
   Yes ( ) No ( )
8. If the answer to the preceding question is "no", who has charge of this activity?
   (Check or add title)
   a. Window Display Manager
   b. Head Superintendent or Supervisor
   c. District Superintendent, Manager or Supervisor
   d. Store Managers
   e.

F. *Real Estate Function*

1. Who has charge of store locations and leases?
   (Check or add title)
   a. Real Estate Department
   b. A subsidiary Real Estate Company
   c. Outside Real Estate Firm
   d. Store Executive
      (1) "Head Executive" of business
      (2)
2. If you have a Real Estate Department, *check* the following functions that this department performs:
   (Check and add functions not listed)
   a. Selects desirable locations
   b. Has charge of drawing up all leases or puchases of property
   c. Has charge of renewing leases
   d. Has charge of sub-leasing and renting properties
   e.
3. Who has charge of making alterations to properties, equipping store with fixtures and store sign?
   (Check and add)
   a. Store Construction Department
   b. Outside Contractors
   c.
4. If the company has a store construction and equipment department head to whom is he responsible?
   (Check or add title)
   a. Real Estate Department Manager
   b. "Head Executive" of business
   c. Warehouse Superintendent
   d. Head Superintendent or Supervisor
   e.

G. *The Buying Function*

1. Who has charge of the buying function?
   (Give title)
2. How many buyers do you have under the following divisions:
   a. Meats
   b. Groceries
   c. Fruits and Vegetables

3. List the main items bought by each of the buyers of Meat:
   a. 1st Buyer
   b. 2nd Buyer
   c. 3rd Buyer
   d.
4. List the main items bought by each of the grocery buyers:[1]
   a. 1st Buyer
   b. 2nd Buyer
   c. 3rd Buyer
   d. 4th Buyer
   e. 5th Buyer
   f. 6th Buyer
   g. Other Buyers or Assistants
5. List the main items or classification of items bought by the Produce Buyers:
   a. 1st Buyer
   b. 2nd Buyer
   c. 3rd Buyer
   d. Other Buyers or Assistants
6. Do you have a separate buyer for store supplies?
   Yes ( ) No ( )
7. If the answer is "no", who purchases store supplies?
   Give title of position—
8. Who has charge of purchasing store equipment, motor cars, trucks and other expensive items:
   (Check or add title)
   a. "Head Executive" of the business
   b. Departmental executive most concerned
   c. Buyer of Supplies or Purchasing Agent
   d.
9. Do the individual buyers recommend items that should be placed on sale as leaders or specials for the week?
   Yes ( ) No ( )

H. *Personnel or Employment Function*

1. Does your company have a Personnel or Employment Manager?
   Yes ( ) No ( )
2. If yes, to whom is he responsible?
   (Check or add title)

[1] In listing the main items under each buyer the following might serve as an illustration: 1st Buyer—Canned Goods; 2nd Buyer—Butter, Eggs and Cheese; 3rd Buyer—Household items; 4th Buyer—Breakfast Goods, Soaps, Jellies, Bread, Cakes, Sugar, Salt, Coffee, Teas and Spices.

a. "Head Executive" of the business
b. Comptroller or Office Manager
c. General Superintendent or Manger of the stores

3. If the company does not have a man spending his entire time carrying on the Personnel or Employment Function, then who is in charge of hiring, promoting and discharging the following classes of help:

Classes of Help	*List Executive who has charge*
a. Office Clerks	
b. Warehouse Employees	
c. Truck Drivers	
d. Store Managers	
e. Assistant Store Managers	
f. Store Clerks	
g. District Superintendents, Managers or Supervisors	

4. If you have a Personnel or Employment Manager, *check* the following functions that he performs:
(Check and add other activities)
   a. Has charge of all hiring
   b. Makes all promotions
   c. Has final say in case of discharge
   d. Has charge of all wage scales
   e. Has charge of employees' magazine
   f. Has charge of all welfare work among employees
   g. Has charge of all educational activities in the organization
   h.

I. *Traffic Management Function*

1. Do you have a Traffic Manager?
Yes ( ) No ( )
2. To whom is the Traffic Manager responsible?
(Check or add title)
   a. "Head Executive" of the business
   b. Head Buyer
   c. Warehouse Superintendent
   d. Comptroller or Office Manager
   e.
3. If you do not have a Traffic Manager, who determines the routing of incoming and outgoing shipments, and who checks the freight rates and bills?
(Check or add title)

a. Buyers
b. Comptroller or Office Manager
c. Warehouse Superintendent
d.

4. If you have a Traffic Manager, does he have charge of determining routes for the delivery of merchandise from the warehouses to the stores and all outgoing rail shipments?
Yes ( ) No ( )

J *Bakery Superintendent*

1. Do you have a Bakery Superintendent?
Yes ( ) No ( )
2. If your answer is "yes", to whom is he responsible?
(Check or add title)
a. "Head Executive" of the business
b. Warehouse Superintendent
c.
3. If you have a Bakery, who has charge of bread delivery?
(Check or add title)
a. Bakery Superintendent
b. Warehouse Superintendent
c. Garage Superintendent
d.
4. To whom are the drivers of the bread trucks responsible?
(Check or add title)
a. Delivery Superintendent
b. Garage Superintendent
c. Traffic Manager
d.

K. *Sales Management Function*

1. Do you have a Sales Manager?
Yes ( ) No ( )
2. If your answer is "yes", to whom is he responsible?
(Check or add title)
a. "Head Executive" of the business
b. Warehouse Superintendent
c.
3. If you have a Sales Manager, what functions does he perform?
(Check and add functions or activities)

a. Has charge of district managers or supervisors
b. Has charge of all advertising, window display, and store layout
c. Has charge of individual store sales and store expansion
d.
e.

L. *Other Functions Not Listed*

If there are any functions which have been omitted, list the following facts relating to them:

1. Name of function or activity
2. Title of executive in charge of function
3. To whom is the executive responsible?
4. What duties or activities are performed under the function?

M. *Committees and Meetings*

1. How frequently do the store supervisors meet?
   (Check)
   a. Daily
   b. Semi-weekly
   c. Weekly
   d. Semi-monthly
2. How frequently do the chief executives of the business meet?
   a. Daily
   b. Semi-weekly
   c. Weekly
   d. Semi-monthly
   e. Monthly
3. What executives do you include in this meeting?
   (List titles of executives)
4. What regular business does this executive group transact?
   Simply list the kinds of decisions they render
5. List any other operating committees and the executives that are regularly members.

	Names of Committees	*Titles of Executives*
A.		
B.		

C.

D.

NOTE: If the company happens to have an extra organization chart, this would be of great assistance in visualizing the divisions of the business. It would be appreciated if you could forward such a chart along with the questionnaire.

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